serco

Annual Report and Accounts 2024

Impact a better future

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Our Purpose is to impact a better future.

We bring together the right people, the right technology and the right partners to create innovative solutions that deliver positive impact and address some of the most urgent and complex challenges facing governments globally.

With a primary focus on serving governments globally, our services are powered by more than 50,000 colleagues working across multiple sectors including Defence, Migration, Healthcare, Transport and Citizen Services. We operate across four regions: UK & Europe, North America, Asia Pacific and the Middle East.

20+
Countries

700+
Contracts

50,000+
Colleagues

For more and the latest information, please visit our website at **www.serco.com**

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Highlights

Revenue
£4.8bn
2023: £4.9bn

Order book
£13.3bn
2023: £13.6bn

Underlying operating profit
£274m
2023: £249m

Reported operating profit
£130m
2023: £272m

Underlying EPS, diluted
16.7p
2023: 15.4p

Reported EPS, diluted
4.1p
2023: 17.9p

Dividend per share
4.16p
2023: 3.41p

Underlying ROIC
26.2%
2023: 21.4%

Free cash flow
£228m
2023: £209m

Employee engagement
72 points
2023: 71 points

Major incident frequency rate
0.37 per 1m hours
2023: 0.37 per 1m hours

Lost time incident frequency rate
4.86 per 1m hours
2023: 6.36 per 1m hours

Definitions for each KPI can be found in the Glossary on pages 212 and 213

See pages 6 and 7 for our Group Chief Executive's Summary

At a Glance

What we do

We bring together the right people, the right technology and the right partners to create innovative solutions that deliver positive impact.

Our vision is to be the partner of choice to governments globally. Our core capabilities includes service design and advisory, resourcing, complex programme management, systems integration, case management, engineering, assets and facilities management.

Underpinned by our unique operating model, Serco drives innovation and supports customers from service discovery through to delivery.

£4,787m	£5,292m	£130m	£274m
Revenue	Revenue including our share of joint ventures and associates	Reported operating profit	Underlying operating profit

Purpose

Impact a better **future**

Our success will be defined by creating positive impact for People, Place and Planet.

Vision

The **partner of choice** to **governments globally**

An international business, that works hand-in-hand with our customers to discover, design and deliver solutions to some of the government's most complex challenges.

Mission

Bring together the **right people**, the **right technology** and the **right partners** **to deliver positive impact**

Empowering colleagues, harnessing technology and embracing partnership to enable service excellence.

Values

Trust | Care | Innovation | Pride

The principles that shape our behaviours and the culture we create to deliver our ambitions.

See pages 24 to 27 for more information on our strategy

At a Glance continued

Revenue in 2024

Our revenue in 2024 was £5,292m including our share of joint ventures and associates. We report this through our five key sectors and four geographic divisions.

Sectors by revenue

Defence	Justice & Immigration	Health & Other Facilities Management	Transport	Citizen Services
£1,894m	£1,732m	£461m	£424m	£781m

Share of sector revenue

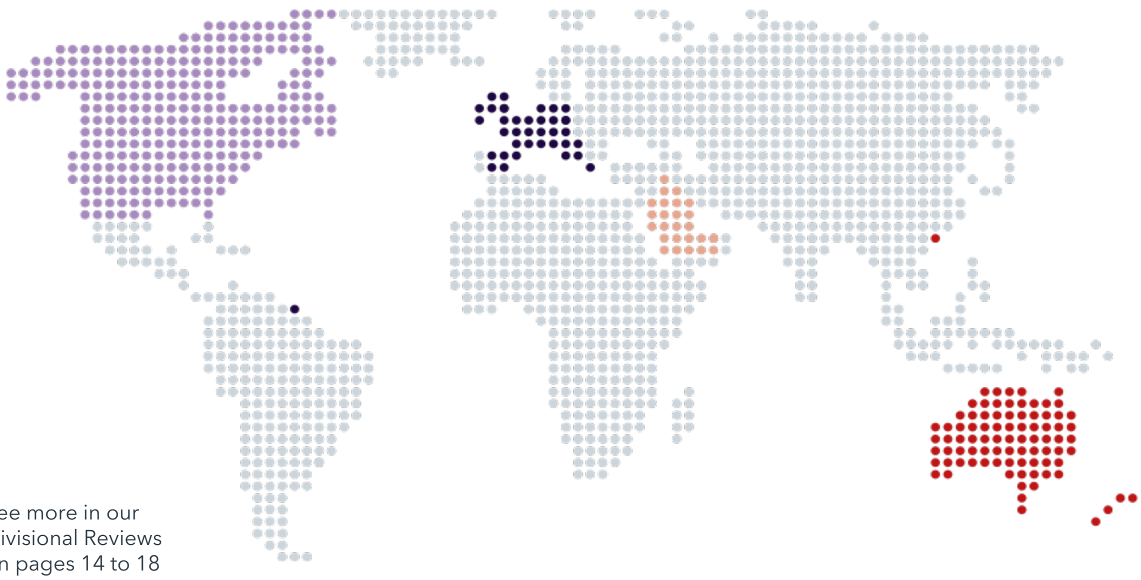
35% | 33% | 9% | 8% | 15%

Divisions by revenue

North America	UK & Europe	Middle East	Asia Pacific
£1,326m	£2,951m	£216m	£799m

Share of divisions revenue

25% | 56% | 4% | 15%



See more in our Divisional Reviews on pages 14 to 18

Chair's Statement

It has been another challenging but successful year for Serco. The business again delivered strong financial and non-financial results reflecting a huge amount of hard work by all of our colleagues.

2024 highlights

- Strong financial performance with underlying operating profits up 10% and free cash flow of £227.5m.
- Pipeline of potential new work at highest level in more than a decade.
- Much improved health and safety performance.
- Higher employee engagement score.

The strong financial results, in particular underlying operating profit and cash flow, reflect growth in Defence, Immigration, Health and Citizen Services, an intense focus on operational improvements and continued relentless attention on cash generation. Our retention rate for rebids was running at more than 90% in 2023 and the first half of 2024, which made it particularly disappointing to lose the rebid for immigration services in Australia. Despite that loss, strong order intake in the second half, in particular new US Defence contracts, resulted in a book-to-bill of over 100% in the year. We also saw strong development in our pipeline of potential new work, which is at its highest level in more than a decade.

Safety was an area of focus for everyone in 2024 and it was very pleasing to see our performance improve significantly. But we still have room for further improvement. I was also delighted to see that, despite the challenges and workload, our employee engagement scores improved again - a testament to our culture and the attention paid everyday by our leaders to our colleagues.

Strategy

Serco operates in very large and growing markets. The focused Business to Government operating model established over many years is delivering competitive advantage and differentiation.

The strategic framework has helped us to deliver strong results and continues to serve us well. In 2024, particular attention was paid to operational excellence and while good progress was made, there is opportunity for further improvements. Acquisitions are an important aspect of our strategy and in March 2024 we added to our capabilities to provide immigration support to governments by acquiring European Homecare (EHC), a leading provider of immigration services in Germany. In early 2025, we announced that we have agreed to acquire Northrop Grumman's mission training and satellite ground optimisation business (MT&S). This acquisition supports our strategy of growing in Defence in the US and also provides expertise that can be deployed in our other regions.

> After another successful year, I am confident about the outlook for 2025 and beyond. I believe that we have a sustainable growth focused business with strong purpose and values.
>
> **John Rishton**
> Chair

Chair's Statement continued

Corporate Governance

One of my most important roles as Chair is to ensure that Serco has strong governance and risk management processes. Probably the most important aspect of this is the appointment of the Group Chief Executive. After 12 years with Serco, Mark Irwin advised the Board of his intention to retire as Group Chief Executive. Mark steps down on 28 February 2025 and will be succeeded by Anthony Kirby who was previously CEO of our UK & Europe Division. I, and the Board, would like to thank Mark for his commitment, dedication and hard work over the last 12 years and wish him well for the future.

Anthony joined Serco seven years ago from Compass and has been in our Group Chief Executive succession planning process for several years. As part of this process we have exposed Anthony to ever more challenging roles including Group Chief Operating Officer and most recently CEO of our UK & Europe Division. The Board is confident that he has the skills, resilience and leadership capabilities to deliver the Group's strategy.

We were delighted to welcome a new Non-Executive Director, Victoria Hull, to the Board in September. Victoria brings a wealth of board experience and will take on the role of Remuneration Committee Chair in 2025.

As investors may be aware, my tenure at Serco reaches nine years toward the end of this year. The process to find my successor has been started.

As in previous years, the Board members took time to visit various contracts to get a real understanding of our business and to meet our colleagues delivering the contracts on a day to day basis. As always, these visits were humbling and inspiring as we saw first hand the care, passion and professionalism that our colleagues exhibit especially while looking after others in challenging circumstances. During 2024, I visited our businesses in the UK, the Middle East, Australia and, in May, we took the entire Board to the US where we spent time with the management team, the North American Board members and had detailed strategy and key programme presentations.

Our employee Board representative is Dame Sue Owen and I would like to recognise the time energy and enthusiasm that she dedicates to this role. Serco also has a dedicated employee working with Sue and the Board to provide support and to help us understand employee perspectives and issues. Prior to their appointment, our employee representative was working at HMP Thameside. As part of our engagement programme, Non-Executive Directors participated in virtual and face to face meetings with employees from all of our regions to discuss topics important to them. We also have an "Ask the Board" function where employees can raise questions.

We have been clear on our purpose, values and impact on society for many years. Our culture demands high ethical standards and we live our values of Trust, Care, Innovation and Pride. Our customers are governments and their contracts frequently include specific measures covering social value, the environment and governance.

In 2024, we had an external Board performance review. It concluded that the Board was highly effective while making a number of suggestions, including agenda management, potential Committee simplification and broadening out the skills over time. The observations made in the report will be considered during 2025. Further details are provided on page 86.

Capital allocation

Our priorities for allocating capital are unchanged - invest organically, grow dividends, invest in strategic acquisitions and return surplus capital to shareholders through buy backs. In 2024, we applied all aspects of this policy including dividend payments of £38m (up 14% from 2023) and £140m of share buy backs (taking the total of buy backs to £340m since 2021).

Looking ahead

Governments around the world continue to face many challenges, in particular providing cost effective, quality services to society where expectations and demand continue to increase. We are well placed to support governments to meet these challenges. Our focus remains on operational excellence, competitiveness and continually looking for ways to support our customers to provide the right service in the right way. We are well placed to grow our business as demand for our services keeps growing as reflected in our increased pipeline.

I am confident about the outlook for 2025 and beyond. I believe that we have a sustainable growth-focused business with strong purpose and values.

I and the Board would like to thank all of our colleagues for their extraordinary work in 2024. Once again you have been amazing and I remain in awe of the work you do everyday.

John Rishton
Chair
26 February 2025

See more in our Governance section on pages 76 to 123

Group Chief Executive's Summary Review

We delivered strong financial and operational results in 2024. The resilience of our platform saw us offsetting known headwinds to deliver revenue in line with guidance,we materially increased underlying operating profit, generated excellent cash flow, improved safety outcomes for our colleagues and employee engagement went up.

Strong performance in 2024

- **Revenue:** £4.8bn in 2024, in line with guidance; improving organic trend as we moved through the year led by our North American Defence business.
- **Underlying operating profit:** £274m, up 10% in the full year, and an increase of 30% in the second half compared to the same period in 2023.
- **Margin:** 60 basis point increase in full year underlying operating profit margin to 5.7% with progress in all regions, reflecting ongoing focus on efficiency and productivity.
- **Reported operating profit:** ~£130m, reduction due to an exceptional £115m non-cash goodwill impairment charge in Asia Pacific.
- **Order intake:** +7% to £4.9bn, book-to-bill of 102%, order book of £13.3bn.
- **Cash flow:** Very strong free cash flow at £228m, ahead of guidance of ~£170m, trading cash conversion has averaged more than 100% since 2019, ahead of our medium-term guidance of 80%+.
- **Strong financial position:** adjusted net debt £100m, £45m lower than prior guidance, leverage c.0.3x net debt to EBITDA, and pro-forma net leverage of 1.2x including proposed acquisition of MT&S. The Board will review the capital position again at the half year.
- **Attractive shareholder returns:** £140m share buyback in 2024, taking the total amount returned to shareholders through buybacks to £340m since 2021, recommended final dividend of 2.82 pence per share, +24% year on year.

> In a global environment of continuous change and increasing complexity, Serco's purpose to impact a better future by enabling more efficiency and greater agility in the delivery of critical services for governments has never been more relevant.

Mark Irwin
Group Chief Executive

Good momentum into 2025

- **Dynamic global backdrop driving demand:** Mounting fiscal challenges and geopolitical complexity mean we are able to leverage our capabilities, expertise, and value proposition to deliver critical services for our government customers better, faster, and more efficiently.
- **Record pipeline:** Entered year with highest level of potential new work in more than a decade at £11.2bn, 11% higher than prior year end.
- **High visibility:** Robust order book combined with low level of rebids or extensions in 2025 and only one contract above 2% of Group revenue due for rebid before 2028.
- **Good momentum in early 2025:** Order intake of more than £1bn including the landmark UK Armed Forces Recruitment Service contract.
- **MT&S acquisition strategically and financially compelling:** US$327m acquisition of leading US Defence business from Northrop Grumman agreed and expected to complete in mid-2025, resulting in a US$2bn North America business delivering 10% margins, and a £2bn Defence business across the Group.
- **Guidance for 2025:** Revenue in line with 2024, organic growth across other parts of business offsetting expected reduction from immigration in Australia and UK of c.7%; ongoing focus on efficiency and productivity will largely compensate for known headwinds on underlying operating profit.

Group Chief Executive's Summary Review continued

We delivered strong financial and operational results in 2024, a year that presented a dynamic operating environment framed by unprecedented political change, as voters in more than 60 countries went to the polls. Despite some headwinds, we delivered revenue in line with guidance, we materially increased underlying operating profit, generated excellent cash flow, and we improved colleague safety and engagement.

Our focus has been on reinforcing our market positioning by concentrating on growth, operational excellence and competitiveness. We made demonstrable progress in all three areas in 2024.

Growth

On growth, we entered the year with a robust pipeline of new business opportunities and a clear focus on effective execution. Momentum grew as we moved through the year with an improving trend in organic revenue and strengthened order intake. In the UK & Europe we offset the expected organic revenue reduction from exiting a variety of lower margin contracts in 2023, with good growth in our European business. North America, a core strategic focus area for us, was the standout performer. Strong order intake - book-to-bill was 1.6x in the year – saw organic revenue growth step up to 5% in the second half and sets the business up for good growth in 2025; and in January 2025, we agreed to acquire MT&S, a leading provider to the US military of advanced mission training services, and software that makes satellite ground networks more efficient. MT&S grows our North American business to beyond US$2bn of revenue and US$200m of profit. It brings new capabilities and access to a broader base of customers, which will provide further opportunities for Serco to grow organically in both North America and internationally.

Operational excellence

Operational excellence was focused on the safety, engagement and productivity of colleagues as a critical enabler to provide exceptional service to our customers. The high importance we placed on keeping our colleagues safe in 2024 resulted in a 22% reduction in lost time injuries and 31% reduction in lost working days. As we continue to evolve our employee value proposition, it was encouraging to see vacancy rates drop from approximately 13% to 5% over the past two years, voluntary attrition reduce by 5 percentage points, and employee engagement increase to 72.

We see in-contract operational performance as the foundation to retaining business across multiple contracting cycles. We achieved high levels of success on rebids and extensions of existing work through the year securing around £3bn of awards with retention rates in excess of 90% in our two largest markets.

The exception across the Group was the disappointing outcome of the Australian immigration rebid as notified in November. We will learn from this loss, and Management is actively resetting the cost base of the business, which we still expect to deliver approximately £700m of revenue in 2025. Beyond immigration, the underlying performance of the Australian portfolio has improved during the year, we have retained key contracts and we continue to work to ensure we are well positioned in a market where we see opportunity to grow, particularly noting the importance of the country for geopolitical security.

Competitiveness

Our focus on competitiveness in the year included concerted efforts to improve the productivity and efficiency of the business. We are pleased with the ramp up in our progress, which included an increase of 120 basis points (bp) in the second half compared to the same period in the prior year and where every region delivered higher underlying operating profit compared to the same period in 2023. The UK & Europe was the leading contributor to the Group, delivering a margin of 6.0% over the full year, 110bp higher than in 2023. Overall, at the Group level we increased our underlying operating profit margin by 60bp in 2024, an improvement driven by better gross profit. This was achieved through a combination of improvements on underperforming contracts, increased contract productivity, agreeing new contract terms with customers, and in-contract organic revenue growth. We are confident these improvements pave the way for additional opportunities in the future.

Strong financial performance enabled us to deliver all aspects of our capital allocation strategy: investing in the business to drive growth and efficiency; increasing returns to shareholders by raising dividends; maintaining adequate headroom to fund strategic bolt-on acquisitions; using share buybacks to keep our leverage within our target range of 1-2x EBITDA. We expect strong cash generation to continue and will regularly assess the opportunity for further buybacks.

In summary

We are proud of the progress made in 2024, with strong financial performance, positive employee metrics and high-quality delivery of important services to customers in a dynamic environment. Strong drivers of demand in our markets have resulted in a record pipeline of potential new work and the momentum in our business. This supports our confidence in delivering our medium-term goals.

In January, it was announced I would be retiring as Group Chief Executive, having served as a member of the Executive leadership team for the past 12 years. It has been a true privilege to lead this remarkable Company. I am delighted with the progress we have made in the last few years and particularly proud of what has been achieved to keep our colleagues safer, deliver consistently strong financial performance and develop the biggest pipeline in more than a decade to meet our strategic growth goals. I know that my successor, Anthony Kirby, will continue to build on these solid foundations. I remain deeply grateful for the hard work and dedication of more than 50,000 colleagues across the Group, for the continued trust of our customers, and for the ongoing support of our shareholders.

Looking forward

Looking forward, governments and citizens are facing changes that are complex and challenging. Governments need to balance fiscal constraint with responding to growing demand for citizen services, critical infrastructure, AI-driven transformation, defence and broader national security including cyber resilience, among others. The need to be agile, adaptive and efficient in the delivery of critical services has never been clearer. Serco is well positioned to help navigate these changes and our opportunity to grow has never been more compelling.

Mark Irwin
Group Chief Executive
26 February 2025

See more in Our strategy on pages 24 to 27

See more in Our impact on pages 33 to 55

Group and Divisional Review

Group Review

Strong performance in 2024, good momentum into 2025

Year ended 31 December	2024	2023	Change at reported currency	Change at constant currency
Reported revenue	£4,787m	£4,874m	(2)%	– %
Underlying operating profit	£274m	£249m	10%	12%
Reported operating profit	£130m	£272m	(52)%	
Underlying earnings per share (EPS), diluted	16.67p	15.36p	9%	
Reported EPS (i.e. after non-underlying items), diluted	4.10p	17.93p	(77)%	
Dividend per share (recommended)	4.16p	3.41p	22%	
Free cash flow	£228m	£209m	9%	
Net cash inflow from operating activities	£419m	£393m	7%	
Adjusted net debt	£100m	£109m	(8)%	
Reported net debt	£630m	£562m	12%	

Mark Irwin
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Definitions for each Alternative Performance Measure (APM) can be found in the Glossary on page 212 to 213.
A reconciliation of each measure to the relevant statutory measure can be found on pages 208 to 210.

Group and Divisional review

Revenue, underlying operating profit and underlying earnings per share

Revenue was £4,787m, which was 2%, or £87m, lower than the £4,874m reported in 2023, or flat on a constant currency basis. Organically, revenue declined by 3% (£123m), while acquisitions added 3% (£121m) and currency was a drag of 2% (£85m). We saw good growth from new and expanded contracts in Defence, Justice and Citizen Services sectors. The reduction reflects lower volume-variable work in the Immigration sector in both the UK and Australia, our Centers for Medicare & Medicaid Services (CMS) contract being in its new five-year agreement and the annualisation of our previously announced exit from certain low-margin contracts.

Despite revenue reducing in the year, we increased underlying operating profit by 10% to £274m (2023: £249m); and taking account of a 2%, or £6m, adverse impact of currency, on a constant currency basis, underlying operating profit increased by 12%. There were also higher costs associated with mobilising our electronic monitoring contract. We more than offset these with our efforts to improve the productivity and efficiency of the business and the positive contribution from acquisitions. It was pleasing to see increasing momentum as the year progressed. In the second six months of the year, every region delivered higher underlying operating profit compared to the same period in 2023. Our margin was 60bp higher in the year as a whole and increased by 120bp in the second half alone.

Reported operating profit reduced by 52% to £130m (2023: £272m). The decline was because of a £115m impairment charge in Asia Pacific following the loss of our immigration contract. Underlying profit after net finance costs and tax, both of which were higher in the year, increased by 4% to £180m (2023: £173m).

Diluted underlying earnings per share increased by 9% to 16.67p (2023: 15.36p). The growth was higher than underlying profit after tax as our share buybacks in 2023 and 2024 led to a 4% reduction in our weighted average number of shares in the year.

Cash flow and net debt

Free cash flow was £228m (2023: £209m). Over recent years we have created a system and culture around invoicing and cash collection that has structurally improved our working capital. This continued efficiency, in conjunction with cash received for mobilisation costs and this being a period of catch up of dividends from joint ventures, delivered cash conversion of more than 100%. The ongoing rigour on cash management means we expect the business to convert at least 80% of profit into cash on an ongoing basis. Average working capital days were at attractive levels with debtor days of 17 (2023: 16 days) and creditor days of 19 (2023: 20 days). Including accrued income and other unbilled receivables, day sales outstanding were 39 days (2023: 38 days). Of all UK supplier invoices, 92% were paid in under 30 days (2023: 94%) and 97% were paid in under 60 days (2023: 98%). No working capital financing facilities were utilised in this or the prior year.

Adjusted net debt was £100m at the end of December. This was a reduction in the year of £9m (December 2023: £109m) despite £38m of dividend payments, a £21m net cash outflow for acquisitions and £141m being spent on our share buyback programme, including fees.

The period end adjusted net debt compares to a daily average of £146m (2023: £232m) and a peak of £212m (2023: £362m). The difference between average and peak figures reflected working capital fluctuations. These can be caused when certain discrete outflows - for example payroll, supplier payments, VAT payments on account - occur in a short timeframe. Variances like this are normal for the Group.

Our measure of adjusted net debt excludes lease liabilities, which aligns closely with the covenants on our financing facilities. Lease liabilities totalled £530m at the end of December (2023: £454m), the majority being leases on housing for asylum seekers under our Asylum Accommodation and Support Services Contract (AASC). These leases are serviced with contracted revenue from the customer and their terms do not extend beyond the expected life of the contract we have.

At the closing balance sheet date, our leverage for debt covenant purposes was 0.3x EBITDA (2023: 0.5x). This compares with the covenant requirement for net debt to be less than 3.5x EBITDA and our target range of 1-2x.

In February 2024, we issued US$150m (£118m) of US private placement loan notes. The notes were equally split into two series of US$75m each with maturities of five and ten years, giving an average maturity of seven and a half years. The average interest rate on the new loan notes was fixed at 6.58%. On 14 May 2024, we repaid US$66m (£53m) of maturing US private placement loan notes which had a coupon of 5.08%. The blended rate on US private placement loan notes in issue at the end of December 2024 was 4.88% (December 2023: 3.97%).

Group and Divisional Review continued

Capital allocation and returns to shareholders

We aim to have a strong balance sheet with our target financial leverage of 1x to 2x net debt to EBITDA, and, consistent with this, the Board's capital allocation priorities are to:

- Invest in the business to support organic growth.
- Increase ordinary dividends to reward shareholders with a growing and sustainable income stream.
- Selectively invest in strategic acquisitions that add capability, scale or access to new markets, enhance the Group's future potential organic growth and have attractive returns.
- Return any surplus cash to shareholders through share buybacks or other means.

Our capital allocation framework was actively applied in 2024:

- **Invest to support organic growth:** investment has been put into business development, which has supported our healthy pipeline of new opportunities. We continued to invest in pilot programmes to partner with both start-up and established technology businesses to create a broader capability ecosystem from which to deliver future growth. Investment was made to improve productivity and competitiveness.
- **Increase ordinary dividends**: the Board is recommending a final dividend of 2.82 pence per share. Following the interim dividend of 1.34 pence per share, this results in a full year dividend of 4.16 pence per share, an increase of 22% compared to 2023, as we continue our path to reduce dividend cover progressively towards 3x over the coming years.
- **Invest in acquisitions:** in March, we acquired European Homecare (EHC), a leading provider of immigration services in Germany. In January, we acquired Climatize, a small, fast-growing business that operates in the United Arab Emirates and the Kingdom of Saudi Arabia offering 'zero-carbon' advisory and related engineering services. In January 2025, we agreed to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S) for US$327m (£264m). MT&S is a leading provider of services to the US military. We continue to assess other opportunities that are aligned to our strategy and provide potential to enhance future organic growth.
- **Return surplus cash to shareholders:** we completed a £140m share buyback. We have now returned £340m to shareholders through buybacks since 2021.

Contract awards, order book, rebids and pipeline

Contract awards

Order intake was £4.9bn (2023: £4.6bn), a book-to-bill rate of 102%. Consistent with the momentum we saw generally across our business, order intake was much improved in the second half. Book-to-bill was 82% in the first half and 121% in the second.

There were around 65 contract awards worth £10m or more each. North America had the strongest book-to-bill at 165%, with wins across the Defence and Citizen Services sectors. Unsuccessful bids and some existing work being extended rather than proceeding with the tender left the UK & Europe book-to-bill at 78%. After strong order intake in 2023, our Middle East business experienced a period of lower wins, with book-to-bill reducing to 93%. In Asia Pacific, we had the disappointing news in November 2024 that we were unsuccessful in rebidding the contract for immigration services. As is the nature of larger binary decisions, the loss depressed book-to-bill, with the year ending at 74%. Encouragingly, momentum did improve through the year, with book-to-bill of 35% in the first half and 113% in the second six months.

North America had order intake of £2.2bn, or approximately 45% of the total for the Group, the UK & Europe contributed £1.9bn, or approximately 40%, Asia Pacific secured £0.6bn, or approximately 10% and the Middle East £0.2bn, or approximately 5%.

Approximately 35% of the order intake value was new business and 65% was rebids or extensions of existing work. The win rate by value for new work was approximately 25%, which was at the lower end of the range we have delivered over recent years as some larger bids were unsuccessful. The win rate by value for retaining existing work was approximately 75%. Having had a success rate of more than 90% on rebids in 2023 and the first half of 2024, the full year rate was depressed by the unsuccessful Australian immigration rebid. Excluding this, the rate for the year would have been approximately 95%.

Group and Divisional Review continued

New wins included a US$320m four-year contract to upgrade Defence infrastructure at the US Space Force's Pituffik Space Base in Greenland, a US$247m contract to support soldier readiness and performance within the US Army's Holistic Health and Fitness (H2F) System, which has an eight-month base period plus four one-year options, a c.£90m six and a half year contract to deliver emergency response services in the NEOM economic zone in the Kingdom of Saudi Arabia, a £70m six-year agreement to operate and maintain the Shing Mun Tunnels and Tseung Kwan O Tunnel in Hong Kong, and a further £50m five-year contract with the Government of Ontario to help job seekers develop their skills and match them to employment opportunities. We successfully rebid our contract to manage HMP Ashfield in the UK. The new contract has an estimated value to Serco of £200m over its initial ten-year period. Also in the UK, we extended parts of our immigration accommodation work and retained our contract to provide facilities management services at Forth Valley Royal Hospital, which is worth approximately £150m over seven years.

In the US, we won the rebid of our contract to provide customer support services to the US Pension Benefit Guaranty Corporation. The contract has a one-year base period and four option years with a value of approximately £180m if all options years are exercised. Our contracts with the UK Department for Work and Pensions to help people find jobs in the West Central region and Wales as part of the Restart programme, were extended for a further two years, with an estimated value of £130m.

Following the year end, as announced on 6 February 2025, we were selected by the UK Ministry of Defence to deliver its next-generation recruitment solution for the Royal Navy, the British Army, the Royal Air Force and Strategic Command. The contract has an estimated value of £1.0bn over the initial seven-year term and up to £1.5bn should the Ministry of Defence elect to exercise all three one-year extension options beyond the initial term. A 21-month mobilisation period is expected to begin in April 2025 with most of the costs charged to profit as they are incurred. The new service is scheduled to commence in early 2027.

Order book

The order book remains strong at £13.3bn at the end of December (2023: £13.6bn). Our order book definition gives our assessment of the future revenue expected to be recognised from the remaining performance obligations on existing contractual arrangements. This excludes unsigned extension periods, and the order book would be £3.0bn (2023: £2.6bn) higher if option periods in our US business, which typically tend to be exercised, were included. If joint venture work was included this would add a further £1.9bn (2023: £1.9bn) to our order book.

Rebids

In our portfolio of existing work, we have around 75 contracts with annual revenue of £5m or more where an extension or rebid will be required before the end of 2027, with an aggregate annual revenue of £1.5bn. At around 30% of the Group's 2024 revenue guidance, this proportion of work that will be up for rebid is at the low end of the range we have seen over recent years. Contracts that will either need to be rebid or extended in 2025 have an annual contract value of around £0.4bn. The annual value of rebids is approximately £0.6bn in both 2026 and 2027. The largest contract that is scheduled to be rebid in the next three years represents around 2.5% of Group revenue. This is the only contract with annual revenue of more than £100m, or 2% of Group revenue, scheduled to be rebid before 2028.

New business pipeline

Our measure of pipeline includes only opportunities for new business that have an estimated annual contract value (ACV) of at least £10m and which we expect to bid and to be adjudicated within a rolling 24-month timeframe. We cap the total contract value (TCV) of individual opportunities at £1bn, to lessen the impact of single large opportunities. The definition does not include rebids and extension opportunities, and in the case of framework, or call-off, contracts such as Indefinite Delivery/Indefinite Quantity contracts (ID/IQ), which are common in the US, we only take the value of individual task orders into our pipeline as the customer confirms them. Our published pipeline is thus a small proportion of the total universe of opportunities, as many opportunities have annual revenues less than £10m, are likely to be decided beyond the next 24 months, or are rebids and extensions.

Our pipeline was £11.2bn at the end of December 2024, 11% higher than the £10.1bn level at the end of December 2023. This is the largest pipeline of potential new work we have had in more than a decade. The pipeline consists of over 50 bids with an average ACV of £36m and an average contract length of around six years. The pipeline of opportunities for new business with an estimated ACV of less than £10m totalled £2.0bn at the end of December (2023: £2.6bn).

Group and Divisional Review continued

Acquisitions

We view acquisitions as an important part of our strategic toolkit, which, if deployed correctly, can add significant value to the business. They should therefore supplement and be capable of delivering new opportunities for organic growth. Generally speaking, we regard acquisitions as higher risk than organic growth, so any potential opportunities have to meet our stringent criteria of being both financially and strategically compelling. We judge potential acquisitions against three criteria: Do they add new, or strengthen existing, capability? Do they add scale which we can use to increase efficiency? Do they bring us access to new and desirable customers and markets? We also recognise that acquisition opportunities come in different shapes, sizes and sectors, and a small one can be strategically important to a region, but not necessarily significant at Group level. But large or small, the execution of all acquisitions is centrally managed and follows the same rigorous process. Equal focus and discipline are applied to post-acquisition value drivers such as effective integration and value realisation from synergy and growth. Our approach of selectively adding acquisitions to our organic strategy has enabled us to accelerate growth, strengthen the business and improve its future growth potential in North America and in Europe.

In Europe, we have grown our business from approximately £100m of revenue in 2020 to more than £500m in 2024. Acquisitions in the Immigration and Defence sectors gave us positions that would have been very difficult to achieve organically; and being part of Serco has enabled the acquired businesses to scale up in a way that would not have been possible as standalone entities. We see strong potential for further growth in Europe.

In North America, we have approximately doubled revenue and more than trebled profit between 2017 and 2024 through a successful combination of organic growth and strategic acquisitions. This demonstrates the success of our M&A strategy, which is that acquisitions should provide access to new markets and bring new capabilities that broaden the opportunities for further organic growth and improve profitability.

Equally importantly, we have transformed the business from a low-margin portfolio of contracts largely performing front-line installation work on industrial systems back in 2017. The acquisition of NSBU in 2019 added a strong US Navy business. We are now the leading naval architecture firm in the US and have capability in upfront engineering and asset-light management. WBB, which we acquired in 2021, brought strong positions with the Air Force, Space Force, and the Army.

Today, Serco is a leading provider of services to the US Navy and that has strengthened positions with Army, Air Force, and Space Force, and has capabilities in government site program support, high-end engineering, equipment support, and technology-enabled frontline services.

The proposed acquisition of MT&S, covered below, will continue this growth through new capabilities and access to new markets and customers, providing exciting opportunities for future organic growth.

Two acquisitions completed in 2024

In March, we acquired European Homecare (EHC), for an enterprise value of €40m (£34m). EHC is a leading private provider of immigration services in Germany. In conjunction with ORS, the Swiss-based business we acquired in 2022, this strategic acquisition creates a strong partner for European governments in immigration services and complements the support we already provide to government customers in the UK and Australia.

In January, we acquired Climatize, for an initial consideration of AED9m (£2m) and a contingent consideration of up to AED51m (£11m), payable on achieving certain financial targets. Climatize is a small, fast-growing business that operates in the United Arab Emirates and the Kingdom of Saudi Arabia offering 'zero-carbon' advisory and related engineering services.

Acquisition of MT&S in 2025

Following the year end, in January 2025, we agreed to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S) for US$327m (£264m). The acquisition is expected to complete in mid-2025, subject to regulatory approvals.

MT&S provides the US military with advanced mission training services, and software that makes satellite ground networks more efficient. With expertise in training services and software engineering, and a track record of innovation, it supports programmes across the US Army, Space Force, Air Force, Navy, Combatant Commands and international partners.

The acquisition will build additional scale for Serco in North America, growing our business to beyond US$2bn of revenue and US$200m of profit. It brings new capabilities and access to a broader base of customers, which will provide further opportunities for Serco to grow organically in both North America and internationally.

We continue to seek out and evaluate new opportunities for acquisitions that fit our criteria and focus on delivering value from those acquisitions already executed.

Asia Pacific segment

The 2024 results include a £115m non-cash, non-underlying, impairment charge in respect of the Asia Pacific goodwill balance, which has been triggered by the loss of the immigration rebid in November 2024. The Directors recognise that the Asia Pacific business has performed below expectations but continue to be committed to the market and believe that they have a strong platform to grow the business.

A number of changes have been made that have started to show improvements in 2024. Further plans are being developed and executed to strengthen the business. The stage of development of these plans means that for accounting purposes, and to be compliant with IAS36, they are not considered in the goodwill valuation.

Corporate costs

Corporate costs relate to typical central function costs of running the Group, including executive, governance and support functions such as HR, finance and IT. Where appropriate, these costs are stated after allocation of recharges to operating divisions. The costs of Group-wide programmes and initiatives are also incurred centrally. Corporate costs increased by £1.8m to £51.1m (2023: £49.3m). The higher level was due to investments made in the year.

Group and Divisional Review continued

Guidance for 2025

In 2025, our focus remains steadfast on reinforcing our market positioning by concentrating on growth, operational excellence and cost competitiveness. We expect revenue in 2025 will be similar to 2024 despite a 7% revenue reduction relating to the UK and Australian immigration contracts, while underlying operating profit will reduce only slightly despite known headwinds. The conversion of profit to cash will continue to be strong and our pipeline of new business opportunities is healthy. The acquisition of MT&S is expected to complete in mid-2025 and will be included in guidance at that point.

Revenue: We anticipate revenue of around £4.8bn with flat organic revenue growth and a c.1% contribution from businesses acquired in 2024. Having had a success rate of more than 90% on rebids in 2023 and the first half of 2024, it was disappointing to be unsuccessful in rebidding the contract for immigration services in Australia. In the UK, we expect to continue supporting the UK Government's efforts to reduce the number of asylum seekers being accommodated in hotels. These two impacts are expected to reduce revenue by approximately 7% in 2025, however, the business is making good progress elsewhere in the portfolio to offset this impact. Growth is anticipated to be strongest in the North American market where we expect mid-single digit organic growth after securing new work in the defence sector in 2024 and early 2025. In addition, contracts mobilised during 2024 in the UK justice and citizen services sectors will contribute further in 2025.

Underlying operating profit: Underlying operating profit is expected to be around £260m, compared to the £274m delivered in 2024. This is a relatively small reduction given the previously disclosed headwinds from our Australian immigration contract ending, lower activity levels within our UK immigration business and higher UK national insurance contributions. Significant progress is expected from the ramp up and reduced costs on newly mobilised contracts, and continued opportunities to improve productivity and efficiency across the portfolio. These support our margin which is expected to be around the mid-point of our medium-term target of 5-6%.

Net finance costs and tax: Net finance costs are expected to increase to around £40m. This is more than 2024 due to the increased volume of lease interest, particularly in relation to immigration services in the UK. The underlying effective tax rate is expected to be around 25%, although this is sensitive to the geographic mix of our profit and any changes to current corporate tax rates.

Financial position: Free cash flow is again expected to be strong at around £135m in the year, in line with our medium-term target of converting at least 80% of profit into cash. This is below 2024 as the prior year included cash received on contracts in their mobilisation phase and a catch up of dividends from joint ventures. The current year includes one-off end of contract cash costs of £20m in relation to our Australian immigration contract, which were expensed in previous years. We expect adjusted net debt to end the year at around £10m.

Surplus capital in 2025: Consistent with our capital allocation priorities, we have a preferred financial leverage range of 1-2x net debt to EBITDA. If we are below 1.0x leverage we consider the business to be in a position of having surplus capital, which will be returned to our shareholders through share buybacks or other means. Leverage at the year end was 0.3x net debt to EBITDA and on a pro forma basis, including the proposed acquisition of MT&S that was announced in January, leverage was 1.2x. Although we are not currently in a position of surplus capital, we are only modestly above the threshold and have an established track record of strong cash flow reducing our leverage. We will review the capital position again at the half year.

	2024	2025	
	Actual	Initial guidance	New guidance
Revenue	**£4.8bn**	~£4.8bn	~£4.8bn
Organic sales growth	**(3)%**	~0%	~0%
Underlying operating profit	**£274m**	~£260m	~£260m
Net finance costs	**£33m**	~£42m	~£40m
Underlying effective tax rate	**25%**	~25%	~25%
Free cash flow	**£228m**	~£135m	~£135m
Adjusted Net Debt	**£100m**	~£60m	~£10m

NB: The guidance uses an average GBP:USD exchange rate of 1.26 in 2025, GBP:EUR of 1.20 and GBP:AUD of 1.98. We expect a weighted average number of shares in 2025 of 1,015m for basic EPS and 1,035m for diluted EPS.

Outlook for growth in the medium-term

Our medium-term targets remain unchanged:

- Revenues to grow at ~4-6% per year over the medium-term
- Profits to grow faster than revenue with margins of 5-6%
- At least 80% of profit converted into cash
- Returns to shareholders will grow faster than profits

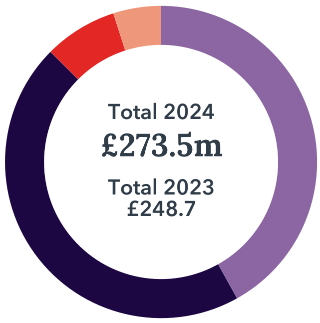
Group and Divisional Review continued

Divisional Reviews

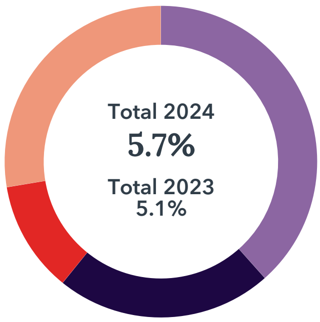
Serco's operations are reported through four geographic divisions: North America, UK & Europe, the Asia Pacific region and the Middle East.

Revenue

Underlying operating profit



Margin



£m	2024	2023
North America	**1,326.1**	1,362.8
UK & Europe	**2,445.9**	2,439.5
Asia Pacific	**799.4**	845.1
Middle East	**215.9**	226.4
Corporate costs	**–**	–

£m	2024	2023
North America	**136.1**	138.2
UK & Europe	**147.9**	120.8
Asia Pacific	**24.6**	23.7
Middle East	**16.0**	15.3
Corporate costs	**(51.1)**	(49.3)

£m	2024	2023
North America	**10.3%**	10.1%
UK & Europe	**6.0%**	5.0%
Asia Pacific	**3.1%**	2.8%
Middle East	**7.4%**	6.8%
Corporate costs	**(1.1)%**	(1.0)%

Reflecting statutory reporting requirements, Serco's share of revenue from its joint ventures and associates is not included in revenue, while Serco's share of joint ventures and associates' profit after interest and tax is included in underlying operating profit.

Group and Divisional Review continued

North America

Revenue

28%

2023: 28%

Underlying operating profit

42%

2023: 46%

Sectors

Year ended 31 December £m	2024	2023	Growth
Revenue	**1,326.1**	**1,362.8**	(3)%
Organic change	1%	8%	
Acquisitions	– %	– %	
Currency	(4)%	(1)%	
Underlying operating profit	**136.1**	**138.2**	**(2)%**
Organic change	2%	1%	
Acquisitions	– %	– %	
Currency	(4)%	– %	
Margin	**10.3%**	**10.1%**	12bp

Revenue declined by 3% to £1,326m (2023:£1,363m), with organic growth of 1% more than offset by a 4% adverse translational effect of currency. Growth in our Defence business, drove the organic revenue increase for the division overall. There were positive contributions from new work ramping up, maritime services and anti-terrorist force protection for the navy. We were pleased to see this more than offset the effect of our CMS contract being in its new five-year agreement and lower revenue in the transport sector. Momentum improved as the year progressed with an organic revenue decline of 4% in the first half shifting to 5% growth in the second six months.

Underlying operating profit reduced by 2% to £136m (2023: £138m). Currency had a 4% adverse impact, with underlying operating profit up 2% on a constant currency basis. Good progress in our Defence business and in Canada, more than offset lower profit from the new CMS contract. Margins increased from 10.1% to 10.3% as a result. We saw momentum improve in the year. Underlying operating profit was 13% lower in the first half but increased by 14% in the second half, compared to the same period in 2023.

Order intake was strong at £2.2bn, which was 45% of the total for the Group and a book-to-bill ratio of 1.6x. New business wins were around 55% of the order intake. Our largest new win was a US$320m four-year contract to upgrade Defence infrastructure at the US Space Force's Pituffik Space Base in Greenland. We were also successful in being awarded a US$247m contract to support soldier readiness and performance within the US Army's Holistic Health and Fitness (H2F) System, which has an eight-month base period plus four one-year options.

Following on from our success in 2022 and 2023, we secured a further £50m five-year contract with the Government of Ontario to help job seekers develop their skills and match them to employment opportunities. We won the rebid of our contract with the US Pension Benefit Guaranty Corporation. We provide benefits administration and customer support for over one million individuals whose defined benefits plans have been disrupted. The contract has a one-year base period and four option years with a value of approximately £180m if all options years are exercised.

We also successfully rebid our IT support contract with the US Air Force. The new agreement has a one-year base period and four one-year option periods, and a value of approximately £70m if all options are exercised. As the NexGen Information Technology (IT) Service Provider, Serco will manage, configure, deploy, operate, sustain, and enhance the NexGen IT program solutions for Air Force Civil Engineering activities. This includes delivering the largest implementation of the IBM TRIRIGA software application in the world, to enable data-driven decisions for the Air Force.

As we worked through and successfully converted a lot of the pipeline of new bid opportunities in 2024, the pipeline reduced from £3.2bn at the end of 2023 to £2.1bn at the end of 2024. We are actively looking to replenish the pipeline through 2025. Defence makes up around 75% of the North American pipeline and Citizen Services is approximately 25%.

Group and Divisional Review continued

UK & Europe

Revenue

51%

2023: 50%

Underlying operating profit

46%

2023: 41%

Sectors

Defence | Justice & Immigration | Citizen Services | Health & other FM | Transport

Year ended 31 December £m	2024	2023	Growth
Revenue	**2,445.9**	**2,439.5**	– %
Organic change	(5)%	7%	
Acquisitions	5%	8%	
Currency	– %	1 %	
Underlying operating profit	**147.9**	**120.8**	22%
Organic change	7%	55%	
Acquisitions	16%	12%	
Currency	(1)%	1%	
Margin	**6.0%**	**5.0%**	110bp

Revenue was stable at £2,446m (2023: £2,440m), with an organic decline of 5% offset by a 5% contribution from acquisitions. EHC, the German immigration services business we acquired in March 2024, traded strongly with robust demand due to global migration patterns. The organic decline resulted from us exiting a variety of contracts in 2023, several of which had margins below the level we see as appropriate for the services we deliver. These contracts were in different sectors, so revenue declined in Citizen Services, Transport and Health & Facilities Management as we exited this work. Elsewhere we saw growth in Justice & Immigration and Defence.

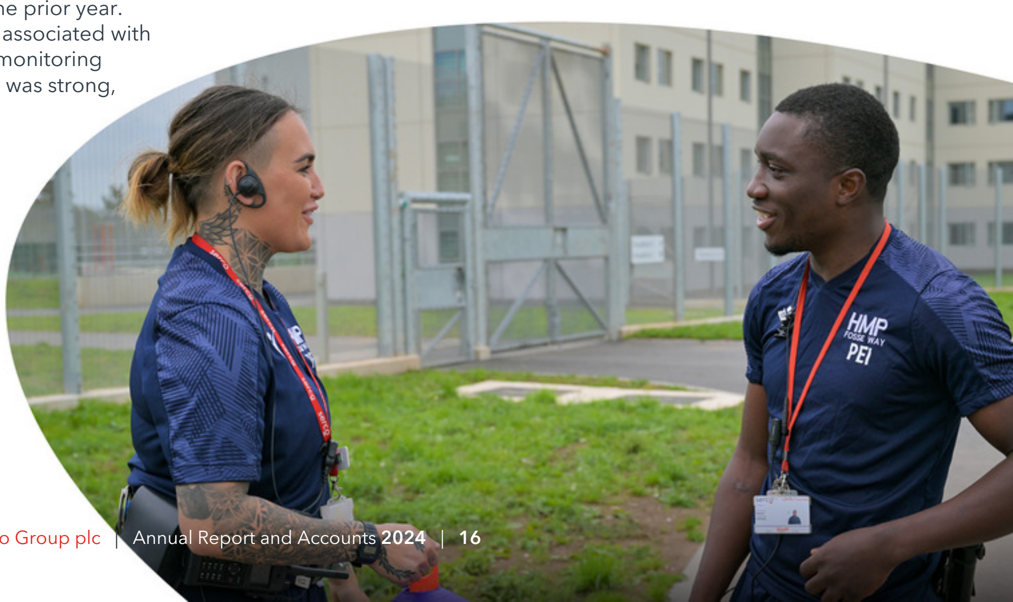
Underlying operating profit increased by 22% to £148m (2023: £121m). The good underlying operating profit outcome was supported by immigration, where the EHC acquisition contributed and performance in the UK was better than originally anticipated, successful mobilisation of the newly built Fosse Way prison and from our focus on productivity and improving the underlying performance of our portfolio. Our Health & Facilities Management business, in particular, saw much improved profitability compared to the prior year. These factors more than offset higher costs associated with the ongoing mobilisation of our electronic monitoring contract. Margin performance in the period was strong, with it increasing by around 110bp to 6.0% (2023: 5.0%).

Underlying operating profit includes the profit contribution of joint ventures, from which interest and tax have already been deducted. If the proportional share of revenue from joint ventures was included and the share of interest and tax cost was excluded, the overall divisional margin would have been 5.3% (2023: 4.5%). The joint venture profit contribution reduced to £23m (2023: £29m) due to a one-off settlement being included in the prior year.

Order intake was £1.9bn, a book-to-bill ratio of 0.8x and around 40% of the total intake for the Group. The book-to-bill reflected some larger bids on new work not landing in our favour. Our win rate by value on new work was around 15% as a result. Offsetting this, our win rate on rebids and extensions was very good at more than 95%. Rebids and extensions represented approximately 85% of the order intake. Agreements signed included the rebid of our contract to manage HMP Ashfield in the UK. The new contract has an estimated value of £200m and by the end of the ten-year period, Serco will have been managing the prison for 29 years. We extended parts of our immigration accommodation work and retained our contract to provide facilities management services at Forth Valley Royal Hospital, which is worth approximately £150m over seven years.

Following the year end, as announced on 6 February 2025, we were selected by the UK Ministry of Defence to deliver its next-generation recruitment solution for the Royal Navy, the British Army, the Royal Air Force and Strategic Command. The contract has an estimated value of £1.0bn over the initial seven-year term and up to £1.5bn if all three one-year extension options are taken.

The pipeline of new opportunities in the UK & Europe increased by more than 30% in the year to £6.4bn (2023: £4.8bn). The Armed Forces Recruitment Service contract, which we have now won, was the largest bid in our pipeline. Excluding this, the pipeline remains very healthy with significant new opportunities across the Justice & Immigration, Defence and Citizen Services sectors.



Group and Divisional Review continued

Asia Pacific

Revenue

17%

2023: 17%

Underlying operating profit

8%

2023: 8%

Sectors

Year ended 31 December £m	2024	2023	Growth
Revenue	**799.4**	**845.1**	(5)%
Organic change	(2)%	(7)%	
Acquisitions	– %	– %	
Currency	(3)%	(4)%	
Underlying operating profit	**24.6**	**23.7**	4%
Organic change	8%	(56)%	
Acquisitions	– %	– %	
Currency	(4)%	(2)%	
Margin	**3.1%**	**2.8%**	27bp

We are working through a plan to turn around our Asia Pacific segment and this began to deliver positive results as 2024 progressed. The first half saw us take action to reduce the cost base and improve profitability on some larger contracts, the benefits of which began to come through in the second half of the year. Although it was disappointing to be unsuccessful in rebidding our immigration contract, our turnaround plan is independent of this. We remain committed to the Asia Pacific market and continue to position the business for the opportunities we expect in the coming years.

Revenue reduced by 5% to £799m (2023: £845m). The business contracted by 2% organically and adverse currency moves had a 3% impact. Revenue fell because of reduced work in facilities management, lower volume-variable work in parts of the immigration network and some lost work in the Citizen Services sector.

Underlying operating profit increased by 4% to £25m (2023: £24m), representing an increased margin of 3.1% (2023: 2.8%). Our focus on contract profitability improvements and cost transformation more than offset lower profit in the Justice & Immigration sectors. Progress came through as the year progressed with underlying operating profit down 44% in the first half and up 71% in the second.

Disappointingly, we were unsuccessful in rebidding the contract for the provision of onshore immigration detention facilities and detainee services. Serco is proud to have provided immigration services as a partner to the Australian Government since October 2009.

Our performance levels have been high on the contract and we submitted what we believed to be a compelling bid that would have delivered continued strong performance to the Australian Government as well as meeting our framework for achieving margins appropriate for the services we deliver.

The unsuccessful rebid led to an exceptional £115m goodwill impairment charge for the division, which resulted in a reported operating loss of £90m (2023: profit of £12m).

Order intake was £0.6bn in the year, a book-to-bill rate of 0.7x. Momentum improved through the year, with book-to-bill of 33% in the first six months then stepping up to 113% in the second half.

Larger contributors included a £122m award to continue to provide health services personnel to the Australian Defence Force at garrisons across the country and a £99m three-year award with the National Disability Insurance Agency (NDIA) to continue providing contact centre services. New work included a £70m six-year agreement to operate and maintain the Shing Mun Tunnels and Tseung Kwan O Tunnel in Hong Kong.

The pipeline of potential new business stands at £1.7bn (December 2023: £1.3bn). Defence makes up around 75% of the pipeline, Citizen Services 20%, with smaller opportunities in the Transport and Health sectors.

Group and Divisional Review continued

Middle East

Revenue

4%

2023: 5%

Underlying operating profit

4%

2023: 5%

Sectors

Defence
Justice & Immigration
Citizen Services
Health & other FM
Transport

Year ended 31 December £m	2024	2023	Growth
Revenue	**215.9**	**226.4**	(5)%
Organic change	(3)%	9%	
Acquisitions	1 %	– %	
Currency	(3)%	(1)%	
Underlying operating profit	**16.0**	**15.3**	5%
Organic change	– %	(2)%	
Acquisitions	9%	– %	
Currency	(4)%	(2)%	
Margin	**7.4%**	**6.8%**	65bp

Revenue reduced by 5% to £216m (2023: £226m). The business declined by 3% organically, currency moves had a further 3% adverse impact, while acquisitions added 1%. Organic contraction resulted from some lost facilities management work and lower revenue in Defence, where a large contract, which we successfully retained, moved to a reduced scope in its new term. These factors more than offset good growth in our Transport business, which includes fire and rescue work.

Underlying operating profit increased by 5% to £16m (2023: £15m). We managed to deliver higher profit on a lower revenue base through our focus on productivity and improving the underlying performance of our portfolio, and the exited facilities management work being lower margin. Margins increased from 6.8% to 7.4% as a result.

Order intake was around £0.2bn, a book-to-bill ratio of 0.9x. Around 75% of the order intake was new business and 25% rebids and extensions. The largest win was a new contract to provide fire rescue, emergency and ambulance services in the NEOM economic zone in the Kingdom of Saudi Arabia. This followed on from other similar work in the zone and is estimated to be worth around £90m over its six-and-a-half-year term.

Our pipeline of major new bid opportunities in the Middle East totals around £1.0bn (December 2023: £0.8bn) and includes opportunities in Transport, Justice & Immigration and Defence.

Group and Divisional Review continued

Other Financial Information

For the year ended 31 December	Underlying 2024 £m	Non-Underlying items 2024 £m	Reported 2024 £m	Underlying 2023 £m	Non-Underlying items 2023 £m	Reported 2023 £m
Revenue	**4,787.3**	**–**	**4,787.3**	4,873.8	–	4,873.8
Cost of sales	**(4,268.7)**	**–**	**(4,268.7)**	(4,378.3)	–	(4,378.3)
Gross profit	**518.6**	**–**	**518.6**	495.5	–	495.5
Administrative expenses	**(267.9)**	**–**	**(267.9)**	(275.8)	–	(275.8)
Exceptional Items comprising						
- Operating items	**–**	**–**	**–**	–	53.8	53.8
- Goodwill impairment	**–**	**(114.5)**	**(114.5)**	–	–	–
Amortisation and impairment of intangibles arising on acquisition (excluding exceptional items)	**–**	**(28.9)**	**(28.9)**	–	(30.9)	(30.9)
Share of results of joint ventures and associates, net of interest and tax	**22.8**	**–**	**22.8**	29.0	–	29.0
Operating profit / (loss)	**273.5**	**(143.4)**	**130.1**	248.7	22.9	271.6
Net finance costs	**(33.1)**	**–**	**(33.1)**	(24.6)	–	(24.6)
Profit/(loss) before tax	**240.4**	**(143.4)**	**97.0**	224.1	22.9	247.0
Tax (charge)/credit	**(60.4)**	**7.9**	**(52.5)**	(50.8)	6.2	(44.6)
Effective tax rate	*25.1%*		*54.1%*	*22.7%*		*18.1%*
Profit/(loss) for the year	**180.0**	**(135.5)**	**44.5**	173.3	29.1	202.4
Basic EPS	**16.97p**		**4.17p**	15.61p		18.23p
Diluted EPS	**16.67p**		**4.10p**	15.36p		17.93p

Joint ventures and associates – share of results

During the year, the most significant joint ventures and associates in terms of scale of operations were Merseyrail Services Holding Company Limited (Merseyrail) and VIVO Defence Services Limited (VIVO). Both are incorporated and operated in the UK.

Merseyrail generated revenue of £215.0m (2023: £217.0m), with the Group's share of profits net of interest and tax for the year being £10.9m (2023: £15.9m). The reduction in Merseyrail revenue and profits is primarily due to a one-off commercial settlement received in 2023. The Group received dividends of £14.1m (2023: £21.1m).

VIVO revenue for the year was £917.8m (2023: £844.9m) with the Group's share of profits net of interest and tax for the year being £11.9m (2023: £13.1m). The increase in VIVO's revenue is largely due to volumes and the impact of indexation. The decrease in profit is due to lower margins on billable work and the mix of margins within different contracts. The Group received dividends of £16.7m (2023: £nil).

Whilst the revenues and individual line items are not consolidated in the Group Consolidated Income Statement, summary financial performance measures for the Group's proportion of the aggregate of all joint ventures and associates are set out below for information purposes.

For the year ended 31 December	2024 £m	2023 £m
Revenue	**504.5**	473.4
Operating profit	**30.6**	38.1
Net finance cost	**(0.1)**	(0.2)
Income tax charge	**(7.7)**	(8.9)
Profit after tax	**22.8**	29.0
Dividends received from joint ventures	**30.8**	21.1

Non-underlying items

Non underlying items in the year were a charge net of tax of £135.5m (2023: credit net of tax of £29.1m).

Exceptional items - goodwill impairment: The 2024 result includes an impairment charge before tax of £114.5m, non-cash, non-underlying, in respect of the Asia Pacific goodwill balance, which has been triggered by the loss of the Immigration rebid in November 2024. The directors recognise that the Asia Pacific business has performed below expectations but continue to be committed to the market, and recognise that they have a strong platform to grow the business from. A number of changes have been made that have started to show improvements in 2024. Further plans are being developed and executed to strengthen the business, however, for accounting purposes and to be compliant with IAS36, these improvements and plans are not used to support the goodwill valuation (see note16).

Exceptional items - operating items: In 2023 there was a credit before tax of £53.8m following a release of the provisions held for indemnities provided on disposed businesses totalling £43.9m, due to the claims period ending. The Group also received in 2023, £9.9m compensation on the early termination of a contract which, due to the size of the settlement, had been disclosed as exceptional.

Amortisation and impairment of intangible assets arising on acquisitions of £28.9m (2023: £30.9m) (see note 17).

Non-underlying tax for the year was a credit of £7.9m (2023: credit of £6.2m).

Group and Divisional Review continued

Finance costs and investment revenue

Net finance costs recognised in the income statement were £33.1m (2023: £24.6m), consisting of investment revenue of £7.7m, less finance costs of £40.8m.

Investment revenue of £7.7m (2023: £7.0m) includes interest accruing on net retirement benefit assets of £1.9m (2023: £3.1m), and interest income of £5.3m (2023: £3.9m).

Finance costs of £40.8m (2023: £31.6m) include interest incurred on loans, primarily the US private placement loan notes and the revolving credit facility of £14.7m (2023: £15.6m) and lease interest expense of £19.9m (2023: £13.1m) as well as other financing related costs including the impact of foreign exchange on financing activities. The increase in lease interest expense year on year is primarily due to the continuing increase in the number of leases for dispersed properties required for our UK asylum contract.

Net interest paid recognised in the cash flow statement was £28.5m (2023: £26.5m), consisting of interest received of £5.3m less interest paid of £33.8m.

Tax

Underlying tax

The underlying tax charge recognised in the year was £60.4m (2023: £50.8m). The effective tax rate of 25.1% is higher than in 2023 (22.7%). The increase compared with 2023 is due to movements in provisions as part of the regular reassessment of tax exposures across the Group together with charges recognised in 2023 in connection with the finalisation of tax filings, withholding taxes suffered for which no tax benefit is expected and the change in mix of where profits have arisen.

The tax rate at 25.1% is slightly higher than the UK standard corporation tax rate of 25%. This is due to withholding taxes suffered to the extent no tax benefit is expected (increasing the rate by 1%), the increase in provisions held for uncertain tax positions (increasing the rate by 0.4%), additional charges on the finalisation of prior year returns (increasing the rate by 0.6%) and the movement in unprovided deferred tax (increasing the rate by 0.2%). This is offset by the impact of profits of joint ventures and associates whose post-tax profits are included in the Group's profit before tax (reducing the rate by 2.4%) together with the impact of lower statutory rates of tax on overseas profits (reducing the rate by 0.3%). Other smaller items result in a net increase to the rate of 0.6%.

Non-underlying tax

A tax credit of £7.9m (2023: £6.2m) arises due to tax deductions associated with the amortisation of intangibles arising on acquisitions.

The goodwill impairment during the year is not tax deductible and therefore has no tax credit associated with it.

Deferred tax assets

At 31 December 2024, the Group has recognised a net deferred tax asset of £177.7m (2023: £184.8m). This consists of a deferred tax asset of £229.8m (2023: £235.7m) and a deferred tax liability of £52.1m (2023: £50.9m). A £177.5m UK deferred tax asset has been recognised on the Group's balance sheet at 31 December 2024 (2023: £179.9m) on the basis that the performance in the underlying UK business indicates sustained profitability which will enable the accumulated tax losses within the UK to be utilised.

Taxes paid

Net corporate income tax of £41.3m (2023: £41.1m) was paid during the year, relating to the Group's operations in Asia Pacific (£5.3m), North America (£25.0m), Europe (£9.4m) and the Middle East (£2.2m). The UK has a net repayment of £0.6m in the year, this consisted of a £2.6m payment to HMRC, offset by £3.2m received from the Group's joint ventures and associates for losses sold to them. The amount of tax paid, £41.3m, differs from the tax charge in the period, £52.5m, mainly because taxes paid/received from Tax Authorities can arise in later periods to the associated tax charge/credit. This is particularly the case with regards to movements in deferred tax, such as on the use of prior year losses, and provisions for uncertain tax positions.

Total tax contribution

The Group's published tax strategy of paying the appropriate amount of tax as determined by local legislation in the countries in which it operates means that a variety of taxes are paid across the globe. To increase the transparency of the Group's tax profile, the cash taxes that have been paid across its regional markets is shown below.

In total during 2024, Serco globally contributed £981.4m of tax to governments in the jurisdictions in which it operates.

Taxes by category

	Taxes borne £m	Taxes collected £m	Total £m
Total of Corporate Income Tax	41.8	–	41.8
Total of VAT and similar	7.8	298.7	306.5
Total of People Taxes	178.9	428.2	607.1
Total Other Taxes	21.8	4.2	26.0
	250.3	731.1	981.4

Taxes by region

	Taxes borne £m	Taxes collected £m	Total £m
UK & Europe	150.0	429.9	579.9
Asia Pacific	29.0	166.8	195.8
North America	67.5	128.3	195.8
Middle East	3.8	6.1	9.9
	250.3	731.1	981.4

Corporation tax, which is the only cost to be separately disclosed in our Financial Statements, is only one element of the Group's tax contribution. For every £1 of corporate tax paid directly by the Group (tax borne), a further £4.99 is borne in other business taxes. The largest proportion of these is in connection with employing people.

In addition, for every £1 of tax borne, £2.92 is collected on behalf of national governments (taxes collected). This amount is directly impacted by the number of people employed and the sales made.

Group and Divisional Review continued

Treasury risk management and operations

The Group's operations expose it to a variety of financial risks that include access to liquidity, the effects of changes in foreign currency exchange rates, interest rates and credit risk. The Group has a centralised treasury function whose principal role is to seek to ensure that adequate liquidity is available to meet the Group's funding requirements as they arise and that the financial risk arising from the Group's underlying operations is effectively identified and managed.

Treasury operations are conducted in accordance with policies and procedures approved by the Board which are reviewed annually. Financial instruments are only used for hedging purposes and speculation is not permitted. A monthly report is provided to senior management outlining performance against key risk management metrics, as required by the Treasury Policy.

Liquidity and funding

As at 31 December 2024, the Group had committed funding of £629.2m (2023: £558.8m), comprising £279.2m of US private placement loan notes, and a £350.0m revolving credit facility which was undrawn. The US private placement loan notes are repayable in bullet payments between October 2025 and February 2034. The Group does not engage in any external financing arrangements associated with either receivables or payables.

During the year ended 31 December 2024 total repayments of debt were £52.8m.

The Group's revolving credit facility provides £350.0m of committed funding for five years from the arrangement date in November 2022. The facility includes an accordion option, providing a further £100.0m of funding (uncommitted and therefore not incurring any fees) if required without the need for additional documentation. This option has not been included in the Group's assessment of available liquidity as approvals are required to access the funding.

Interest rate risk

The Group has a preference for fixed rate debt to reduce the volatility of net finance costs. The Group's Treasury Policy requires it to maintain a minimum proportion of fixed rate debt as a proportion of overall Adjusted Net Debt and for this proportion to increase as the ratio of EBITDA to interest expense falls. As at 31 December 2024, £279.2m of debt was held at fixed rates and Adjusted Net Debt was £99.8m.

Foreign exchange risk

The Group is subject to currency exposure on the translation to Sterling of its net investments in overseas subsidiaries. The Group seeks to manage this risk, where appropriate, by borrowing in the same currency as those investments. Group borrowings are predominantly denominated in Sterling and US Dollars. The Group seeks to manage its currency cash flows to minimise foreign exchange risk arising on transactions denominated in foreign currencies and uses forward contracts where appropriate to hedge net currency cash flows.

Credit risk

Cash deposits and in-the-money financial instruments give rise to credit risk on the amounts due from counterparties. The Group manages this risk by adhering to counterparty exposure limits based on external credit ratings of the relevant counterparty.

Net assets

At 31 December 2024, the consolidated balance sheet shown on page 138 had net assets of £842.5m, a movement of £191.2m from the closing net asset position of £1,033.7m as at 31 December 2023. This reduction is a result of returns to shareholders totalling £179.7m through share buybacks and dividend payments, offset by £4.7m of total comprehensive income generated during the year.

Key movements since 31 December 2023 on the consolidated balance sheet shown on page 138 include:

- A decrease in goodwill of £80.5m driven predominantly by £114.5m impairment in Asia Pacific CGU offset by the goodwill on acquisition of EHC and Climatize totalling £30.9m.
- A reduction in other intangible assets of £14.2m due to amortisation of £31.4m, partly offset by assets arising on acquisition of £15.5m.
- A decrease in the net retirement benefit asset of £20.5m primarily in respect of SPLAS; further details are provided in the pensions section below.
- Provisions have increased by £20.0m predominantly due to a provision in respect of a contingent liability recognised on the acquisition of EHC.
- Cash and cash equivalents have increased by £88.6m. In the period the Group generated free cash flow of £227.5m and £65.4m from net advance of loans. This was offset by £141.3m shares repurchased, £38.4m dividends to shareholders and £20.8m acquisition of subsidiaries, net of cash acquired.
- Lease liabilities have increased by £76.3m largely as a result of circa 1,000 more leases for dispersed properties in our UK asylum contract. This has also resulted in an increase of £74.0m of right of use assets.
- Net loan balances have increased by £70.2m due to the issue of additional USPP notes of £118.2m partially offset by repayment of USPP notes of £52.8m.
- The movement in contract assets, trade receivables and other assets, and, contract liabilities, trade payables and other liabilities are as a result of normal working capital movements.

Pensions

Serco's pension schemes have an accounting surplus before tax of £4.0m (2023: £24.5m). The decrease in the net retirement benefit asset of £20.5m is primarily due to market conditions and changes to assumptions on the two UK funded schemes, SPLAS and RPS. Higher yields compared to 2023 resulted in the majority of the £102.6m fall in the fair value of UK schemes assets . The Group's UK schemes liabilities reduced by £79.9m primarily due to the higher yields increasing discount rates.

Based on the 2021 actuarial funding valuation which was finalised in 2022 for SPLAS, the Group has committed to make deficit recovery payments of £6.6m per year from 2022 to 2030.

The opening net asset position led to a net interest income within net finance costs of £1.9m (2023: £3.1m).

Our Market

Current trends

The 'Four Forces' continue to drive demand in our markets

As a partner to governments in more than 20 countries, across five sectors, we are well positioned to access opportunities in the most valuable business-to-government (B2G) markets. This international and sectoral footprint not only gives us resilience, but the agility to respond to changes in our operating environment. This year has been one of change in our markets - alongside significant geopolitical conflict, 2024 also saw around half of the world's population head to the polls and a rapid growth in technological innovation. Much of this has driven demand for our services, with governments seeking support to manage uncertainty and change. Despite this fluctuation, our B2G market was, and continues to be, large and growing, with high barriers to entry.

Large

In 2023, the estimated addressable spend by governments in geographies[1] and sectors where we offer services[2] was £870bn[3], of which we have a <1% market share[4]. Looking ahead, our B2G market is expected to see growth driven by the rising expectations of citizens, alongside the need to modernise infrastructure, extend the life of assets and improve resilience across the military and civilian space. It is clear that commercial partners to the public sector will be needed to realise these requirements for government services.

Growing

With change and uncertainty comes the demand for proven expertise, particularly in places where we have a long pedigree and deep operational understanding.

As such, we see significant opportunity across many of our key areas of operation, including two of our largest:

- **Defence:** ~£1.9bn[5] (~36%) of Serco revenue that has grown by 10% over the past 5 years, with a large pipeline of opportunities and strong track record across areas including acquisition and engineering support, Training and People services[6], Uncrewed Surface Vessels, C6ISR[7] and SatCom, and asset modernisation (see Pituffik case study on page 26). Despite this, we currently only have a small share of this ~£300bn market[4],which is growing rapidly.
- **Migration:** a ~£1.3bn[5] sector for Serco, where we lead the market in many geographies through the delivery of services including accommodation and integration, case management, repatriation, and border protection (see case study on page 26). We have seen significant growth of 34% over the past 5 years and the fundamental drivers of demand continue to be strong. 350m migrants (4% of the global population)[8] are expected globally by 2030, making it a ~£30bn government services market[9].

High barriers to entry

With regulatory, technical and governance standards all creating high barriers to entry, the B2G market is not only growing, we believe it is more insulated from shocks and new entrants. Our strong pedigree, long-standing customer relationships and tested operating model will continue to allow us to maintain and grow our market position in these sectors.

More broadly, the fundamental dynamics of our operating environment remain consistent. Governments remain subject to the 'Four Forces' (see below), which we have long referenced as the key drivers of government spending on private sector service delivery. In fact, with greater labour market challenges, geopolitical risk, and technology transformation, we expect these Forces to intensify.

Localisation and insourcing has been noted in some geographies, although this seems isolated to specific sectors (e.g. UK passenger rail), with the general trend of greater demand for private sector expertise from governments continuing. Specific details on each of the geographies' operating environments can be found in their respective sections (see pages 14 to 18).

In this growing market, our deep-rooted partnerships with customers, alongside operational expertise and robust financial and risk management keep us well placed to seek to meet the demands of the operating environment, deliver superb services and strong commercial performance.

The 'Four Forces' driving demand

1. 2023 government services spend in Serco geographies. Serco geographies included are Australia, Austria, Belgium, Canada, Czech Republic, France, Germany, Hong Kong SAR, Italy, Luxembourg, the Netherlands, New Zealand, Spain, Saudi Arabia, Singapore, Sweden, Switzerland, the UAE, United Kingdom and the United States.
2. Estimated based on a refined version of the model used for 2021 Capital Markets Day that projected a total addressable market of £715bn. Market data provided by Renaissance Strategic Advisors.
3. Estimates based on independent analysis by Renaissance Strategy Advisors.
4. 2023 market share on Serco geographies listed in 1.
5. Including share of joint ventures.
6. People services refers to recruitment, training, transition support and related solutions.
7. Command, Control, Communications, Computers, Cyber, Intelligence, Surveillance, and Reconnaissance.
8. World Economic Forum and BCG Henderson Institute.
9. Excludes Non-Governmental Organisations' spend, which may also be addressable (i.e. NATO).

Our Market continued

Global themes

How the ‘Four Forces’ are driving demand in government services markets

GROWING COSTS - geopolitical uncertainty driving demand

Global conflicts and tensions continue to drive demand for security from national governments as well as international organisations. As such, Defence spending commitments and targets have increased, including investment in services provided by private sector partners such as training and equipment maintenance. This uncertainty – among other factors such as climate change – is also expected to influence global migration patterns, creating more demand to manage borders and support those moving across them.

RISING EXPECTATIONS OF SERVICE QUALITY - technological change transforming services

2024 was the year generative AI truly penetrated the public consciousness. Governments and business alike began in earnest to try and embed AI and its associated advancements into their operations. From call centres to preventative maintenance, or even military training, the expanding use of AI will continue as we discover new use cases. Governments will need to work with private sector experts to develop and integrate this new technology.

VOTER INTOLERANCE OF HIGHER TAXATION - fiscal pressures continuing to squeeze government budgets

Despite some easing in inflation and a generally improved economic outlook, government budgets around the world remain under significant pressure. Public sector debt remains at, or near, historic highs and administrations continue to face challenges as they look to balance their books. As they seek to find efficiencies, governments will continue to turn to the private sector to help find more economical means of delivering services.

NEED TO BALANCE PUBLIC INCOME AND EXPENDITURE - addressing urgent and costly talent shortages

With an increasingly internationally mobile workforce and skilled workers in high demand (particularly driven by the technology transformation, as noted above), governments are looking to partners outside the public sector to support their talent base. For example, the number of digital, data and technology professionals in the UK civil service is estimated to be 4.5%, according to official estimates. This is less than half the number it needs when compared to an equivalent industry average of between 8% and 12%[1]. For governments to develop their own specialist workforce is not only time-consuming, but costly. We therefore continue to see demand for private sector partners to support governments in managing these demands by providing targeted expertise in a more timely and cost-efficient way.

1. UK Parliament - PAC Report - Digital transformation in government: addressing the barriers to efficiency.

Our Strategy

Delivering growth

A focus on execution

Our Purpose, Vision, Mission and Values

Last year we redefined our Purpose, Vision and Mission, alongside our Goals. These central principles, as well as our commitment to an international, diversified portfolio of government customers, continues to be at the core of our strategy.

Purpose

Impact a better **future**

Vision

The **partner of choice** to **governments globally**

Mission

Bring together the **right people** the **right technology** and the **right partners** to deliver positive impact

Values

Trust · Care · Innovation · Pride

Our medium-term goals

We remain confident that focusing on the growing B2G market within our existing geographies and sectors remains the key to delivering our medium-term goals. This is reinforced by the ten-year high £11.2bn pipeline of opportunities we have reported at the end of 2024.

	Target
Customers Deliver market-leading positive impact on government outcomes	Customer Satisfaction
Growth Drive revenue growth through deliberate and sustainable portfolio choices	**4-6%** Growth
Profit Optimise profitability through world-class operations and a focus on efficiency	**5-6%** UOP

Three priorities to drive delivery: Growth, Operational Excellence and Competitiveness

Winning and protecting high-quality business that drives value for our customers and our Company.

Empowering productivity through simplification, smarter ways of working and technology-enabled innovation.

Consistently exceeding expectations through service delivery and growing on-contract through a deep understanding of customer needs.

In last year's annual report, we identified a plan with several priority areas to drive the execution of our strategy. We continually refine our portfolio and how we work, to remain agile and innovative and seize the significant opportunities in our key markets. Therefore, we are now narrowing our focus to three of these priorities, through which we continue to execute our strategy.

These three interconnected priorities are mutually reinforcing. Growth fuels investment in operational excellence and innovation. Operational excellence builds the trust that wins us new opportunities. Competitiveness underpins our ability to win and creates the headroom we need to invest.

At the same time, fundamental to the delivery of our plan is continued development of our people, a relentless focus on our customers and advancing our offering through technological improvement. To take the latter as an example, we are investing in our digital and technology capabilities more than ever, to ensure that we can meet and exceed our customers' expectations. AI has penetrated the public consciousness in 2024, and government services are not immune from its impact.

Recognising the increasing importance of these changes to our market, we have taken steps to accelerate our use and development of digital and technology platforms through the creation of the new Group Chief Digital and Technology Officer role, who sits on the Group Executive Committee and leads a dedicated team of technology specialists (see case study on page 27).

Our Strategy in action

M&A - augmenting organic growth

Alongside our strategy to deliver sustainable, profitable organic growth, we have a strong balance sheet that we can leverage to further enhance our growth ambitions. Our long-standing three criteria for acquisitions are:

1. Capability – enhance or add to our offering
2. Market access – reach into new geographies, sectors or customers
3. Scale – create economies of scale

Following two successful acquisitions in Europe (see page 26), our recent focus has been on converting a US Defence acquisition to further build scale and capability in this large, growing market. In January 2025, we announced an agreement (subject to regulatory approval) to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S). As outlined in the case study below, this purchase increases our growth potential in US as well as providing solutions we can offer to our customers worldwide.

Growth

MT&S Acquisition - enhancing our capabilities, increasing our exposure to high-growth markets

Providing the US military with advanced mission training services and software that makes satellite ground networks more efficient, MT&S supports programmes across the US Army, Space Force, Air Force, Navy, Combatant Commands and international partners.

Its technology-enabled training services help war fighters achieve mission readiness through advanced simulation-based training and mission rehearsal capabilities across multi-domain immersive environments, powered by live, virtual and constructive technologies. Through the Mission Command Training Program (MCTP) the business coordinates advanced training exercises using US Army principles, tactics, techniques and procedures to give soldiers the most realistic scenarios to train with. MT&S owns and develops the Distributed Mission Operations Network (DMON). The network delivers secure connectivity and network interoperability between unique simulator platforms across the globe, allowing aircrews in different locations to train together in a high-fidelity virtual environment, including mission planning and execution materials, scheduling, briefing, execution and debriefing.

Its software optimises satellite ground station performance. This includes providing software for communications planning and network monitoring.

MT&S will build further scale for us in North America, growing our business beyond US$2bn of revenue, US$200m of profit and increasing our number of colleagues by ~1,000.

Beyond the bolstering of our US-based business through increased exposure to high-growth markets and improved capabilities, the combination of MT&S and Serco increases the growth potential of both organisations, through:

- **Improved cost competitiveness of MT&S:** MT&S will benefit from being part of Serco where services are core and Defence training is a strategic priority area. Under our ownership, MT&S will have a lower indirect cost base, significantly enhancing its competitiveness.
- **Increased scale and technology capabilities will benefit Serco's pipeline of potential new work:** MT&S has a strong track record delivering large programmes in training, space and technology services for the US Department of Defense. The ability to reference this past performance will enhance our ability to win new work in our existing pipeline. We also expect to be able to expand the pipeline as we explore new opportunities with our combined capabilities.
- **Exporting MT&S' capabilities outside of the US:** Military training and satellite ground network communications software capabilities are critical services for armed forces around the world. MT&S offers best in class solutions in these areas, which have so far been primarily limited to the US. We see significant applicability to our other existing markets, including Australia, UK & Europe. The US$327m (£264m) deal is expected to close in mid-2025.

Our Strategy in action continued

Growth continued

Delivering Defence excellence in the ice

Pituffik - Greenland Space Base modernisation for US Department of Defense

We expanded our services in the military space market, with the award of the £250m Pituffik Space Base contract in 2024. Appointed by the US Department of Defense, we are delivering the modernisation of the back-up electrical plant for the US Space Force's Pituffik Space Base in Greenland. The base is locked by ice nine months each year, making continuous and secure energy to the facility an essential priority. Working to a tight schedule, we are responsible for managing the repairs and upgrades to support missile warning, missile defence, and space surveillance missions. Partnering with local Danish construction and engineering firm Aarsleff; once complete, the new alternate power plant will provide greater and more stable electrical capacity to the US Department of Defense's northernmost installation. This contract is an example of our continued growth in the US Defence market and trust we have from our customers to deliver complex critical infrastructure projects.

Creating an impact through combining migration support operations across Europe

Supporting migrants and governments across Europe by integrating specialist providers

We continue to strengthen our position as a leading provider of migration services, particularly in the European market. The acquisitions of the Organisation for Refugee Services (ORS) in 2022 and European Homecare (EHC) in 2024 show our expanding footprint and enhanced capabilities, allowing us to support governments to manage all aspects of migration. These acquisitions have bolstered our capabilities across accommodation, medical and social care, community integration and repatriation. Building on a strong pedigree in the sector, collaboration across the businesses has enabled us to combine resources and expertise to build a strong platform to deliver scalable, tailored solutions for governments and other public authorities. This has allowed Swiss-based ORS and German-based EHC to work together to expand into other European nations such as Austria. This has been especially important during the integration of ORS and EHC into the wider Serco business, harmonising operational practices and tailoring solutions to the specific needs of countries across Europe. By bringing ORS and EHC into Serco, we have furthered our role as a trusted and reliable partner to governments in delivering these vital and in-demand services.

Our Strategy in action continued

Competitiveness

Accelerating Serco's AI and technology capabilities

Driving digital-first solutions with a new tech team

Serco continues to invest and innovate in its digital and technology capabilities to deliver better quality services at a reduced cost to our customers. Further focus in this area has been brought by the creation of a new Group Executive Committee role of Group Chief Digital and Technology Officer (Tom Read). This new role leads a team aimed at delivering digital transformation for the business, both in back-office functions as well as frontline operations. This will deliver best-in-class digital solutions, instil a culture of data literacy in the business, and expand the use of AI and automation across our operations. We can see this work already having an impact across multiple functions, from the embedding of AI-powered bid-writing software to the roll-out of AI-generated training videos. This digital transformation will continue to drive competitiveness through delivering more efficient processes, reducing cost and improving the quality of delivery.

Operational Excellence

Delivering excellence in employment services

Health Assessment Advisory Services for the UK Department of Work and Pensions

By September 2024, we had safely mobilised the new Health Assessment Advisory Service (HAAS) contract, working with the UK Government's Department for Work and Pensions. The team comprises doctors, nurses, paramedics, physiotherapists and occupational health specialists, supported by back office and contact centre colleagues, and delivers assessments for a range of key social security benefits, including Personal Independence Payment, Universal Credit and Employment and Support Allowance. The £365m contract covers South West and South Central England. Successfully transferring over 1,000 new colleagues into the business from two previous service providers with minimal impact to operations, we have designed a service that places often vulnerable customers and their safety at its heart. With our partners Advo Health and PFAS, we carry out over 350,000 telephone, video and face-to-face assessments at designated centres across the contract area. The complex yet smooth transition demonstrates our strong capabilities in delivering highly complex, critical operations, working in lockstep with our clients, colleagues and partners.

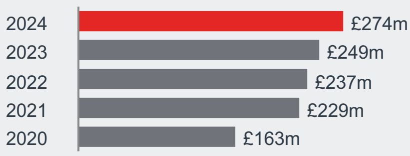
Key Performance Indicators

We use key performance indicators (KPIs) to monitor our performance, ensuring that we have a balance and an appropriate emphasis to both financial and non-financial aspects.

For each KPI, we explain the relevance to our strategy and the performance in 2024. Our KPIs are unchanged in 2024 and therefore there is comparability and consistency with our focus in the business and the guidance we issue. The Additional Information section from page 207 provides further detailed definitions and reconciliations of our Alternative Performance Measures (APMs). ESG performance and disclosure data can also be found in the Our Impact section on pages 33 to 61 as well as in our complete 2024 ESG Databook available on www.serco.com/our-impact. Definitions for each KPI can be found in the Glossary on pages 212 and 213.

Priority area: G Growth O Operational Excellence C Competitiveness

1. Underlying operating profit (UOP)



Link to priority area: G O C

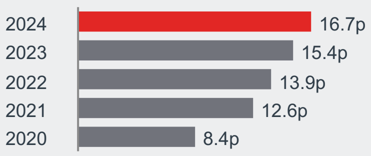
Relevance to strategy

The level of absolute UOP and the relationship of UOP with revenue – i.e. the margin we earn on what our customers pay us – is at the heart of our aspiration to be profitable and sustainable. We believe the delivery of strategic success has potential to support annual revenue growth of 4-6%, in the medium term, and trading margins of 5-6%.

Performance

Underlying operating profit increased by 10% to £274m. The growth was driven by our efforts to improve the productivity and efficiency of the business and the positive contribution from acquisitions.

2. Underlying earnings per share (EPS), diluted



Link to priority area: G O C

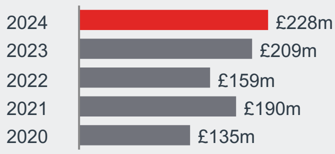
Relevance to strategy

EPS builds on the relevance of UOP and further reflects the strength and costs of our financial funding and tax arrangements. EPS is, therefore, a measure of financial return for our shareholders.

Performance

Diluted underlying earnings per share increased by 9% to 16.7p. Underlying profit after net finance costs and tax increased by 4% and this was boosted at the EPS level by a reduction in the weighted average number of shares, due to our share buybacks in 2023 and 2024.

3. Free cash flow (FCF)



Link to priority area: G O C

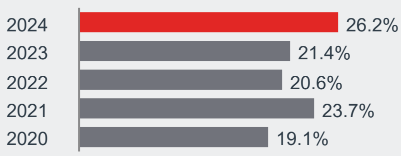
Relevance to strategy

FCF is a reflection of the sustainability of the organisation, by showing how much of our effort turns into cash to reinvest into the business or to deploy in other ways. Our philosophy is that we should only win business that generates appropriate cash returns and we apply disciplined management of our working capital cash flow cycles.

Performance

Free cash flow was very strong at £228m, and trading cash conversion of 109%. Strong cash generation has been achieved by continued focus on the timeliness and accuracy of issuing sales invoices, which enables our customers to pay us on time.

4. Underlying return on invested capital (ROIC)



Link to priority area: G O C

Relevance to strategy

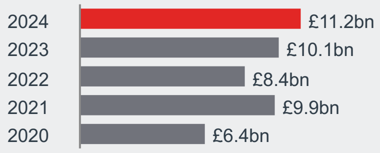
ROIC measures how efficiently the Group uses its capital to generate returns from its assets. To be a sufficiently profitable and sustainable business, a return must be achieved that is appropriately above a cost of capital hurdle reflective of the typical returns required by our weighting of equity and debt capital.

Performance

ROIC increased by 480 basis points to 26.2%. The improvement resulted from the combination of increased underlying operating profit and lower average invested capital.

Key Performance Indicators continued

5. Pipeline of large new bid opportunities



Link to priority area: G

Relevance to strategy

The pipeline provides a measure of potential for winning new business and, therefore, is a major input to being profitable and sustainable. The size of the pipeline and our win-rate on the bids within it are at the heart of our strategy to grow the business.

Performance

Our pipeline of potential new work was £11.2bn at the end of December, 11% higher than the £10.1bn level at the end of 2023. This is the highest level seen in more than a decade.

6. Order book

Link to priority area: O

Relevance to strategy

The order book reflects progress with winning and retaining good business and, as a store of future value, it is a key measure to ensure that the Group is profitable and sustainable. The value of how much is added to the order book compared to how much revenue we are billing our customers – the book-to-bill ratio – is important to achieving long-term growth.

Performance

The order book remains strong at 13.3bn. This excludes unsigned extension periods, and the order book would be £3.0bn (2023: £2.6bn) higher if option periods in our US business, which typically tend to be exercised, were included.

7. Major incident frequency rate (MIFR), per 1 million hours worked

Link to priority area: O C

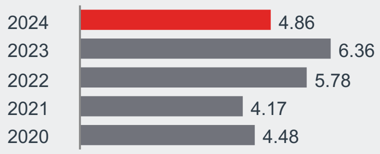
Relevance to strategy

Our vision of Zero Harm strives to operate in the safest and healthiest way possible at all times. A positive, collaborative and open approach to safety and the continuous drive to improve our safety culture has a direct bearing on the commitment and engagement of our people and our overall performance.

Performance

Following a substantial decrease in major injuries and the MIFR in 2023, with reductions of 24% and 14%, respectively, we maintained the MIFR level at 0.37 in 2024.

8. Lost time incident frequency rate (LTIFR)



Link to priority area: O C

Relevance to strategy

Building on MIFR, focusing on reducing lost time incidents is an additional, more specific way of working towards our Zero Harm vision, by ensuring our people are safe, healthy and able to thrive. This supports an open and honest culture of continuous safety improvement and incident reduction.

Performance

Continuing focus on situational awareness, supported by specific divisional initiatives saw a 24% reduction during the year in our LTIFR to 4.86.

9. Employee engagement

Link to priority area: G O C

Relevance to strategy

Employee engagement reflects our aspiration to create 'a place people are proud to work'. This is crucial to delivering outstanding customer service and achieving our strategic aims including our growth targets.

Performance

Findings indicate modest but steady gains in colleague and leadership engagement worldwide. Overall engagement rose from 71 to 72, marking two consecutive years of improvement, with leadership engagement increasing from 77 to 80. These encouraging results reflect the stability of engagement at Serco and provide a foundation for further improvement.

See Glossary on pages 212 and 213 for KPI definitions

Our People and Culture

Building capability and improving productivity

This year, we prioritised key elements of our global People and Culture strategy, focusing on recruitment, productivity and performance to drive better outcomes. The dedication of our people has been critical in advancing these priorities, fostering stronger regional collaboration and delivering enhanced performance and impact for our customers.

Often working in unique and challenging environments, our people are dedicated to helping some of the most vulnerable people in our society at times when their lives are in deep crisis. Our organisation is orientated to this purpose and our challenge is to ensure that Serco's promise to its customers is delivered safely, effectively and with human compassion.

Our People and Culture strategy

Building on this momentum, 2024 saw the early phases of our three-year strategy come to life, with a sharp focus on workforce stability, continuous improvement and operational efficiency. These efforts are not only strengthening our ability to deliver exceptional service for customers and communities but also positioning Serco to capitalise on emerging market opportunities. By reinforcing our role as a trusted partner, we are laying the foundation for delivering impactful, sustainable solutions that meet the needs of those we serve.

Our People and Culture strategy is built around a set of objectives and key results, structured within six interconnected pillars of change. Each pillar seeks to address a range of challenges shared across our operational geographies, from improving recruitment and retention to enhancing safety, productivity and development.

This unified approach seeks to enable Serco to tackle complex, global issues with consistency and collaboration, creating opportunities for our teams to share knowledge, transfer best practices and implement innovative solutions. By aligning efforts across regions, we are fostering stronger cross-functional partnerships, driving efficiencies and delivering tangible improvements that strengthen both local operations and our global enterprise.

Ultimately, this strategy seeks to ensure that we are better equipped to support our customers and communities while empowering our people to thrive.

The six pillars of our People and Culture strategy

The six pillars above represent a cohesive strategy that empowers our people and strengthens teams to drive Serco's mission forward. Together, they create a unified framework for achieving operational excellence, cultivating an inclusive and growth-oriented culture and enhancing our market competitiveness.

Our People and Culture continued

Creating greater workforce stability through smarter recruitment

In 2024, we elevated our approach to global talent attraction and recruitment, focusing on streamlining both systems and processes to support the global People and Culture strategy. Recruiting and retaining people for high-risk and demanding roles remains critical to Serco's ability to deliver consistent, high-quality service. By improving the way we attract, select and recruit talent, we have strengthened workforce stability and resilience, while driving operational efficiency across our global operations.

International collaboration among our Talent Attraction teams has allowed shared expertise and innovation to address complex recruitment challenges. This collaboration has resulted in enhanced recruitment outcomes:

1. **Reduced voluntary attrition:** Targeted interventions contributed to a 4.7 percentage point reduction in our 12-month rolling voluntary attrition rate, equating to retaining 1,718 more colleagues compared to the previous year. This achievement reflects our use of advanced candidate profiling and close collaboration across divisions. By improving the quality of our hires we are building a stronger, more resilient workforce.
2. **Recruitment efficiency:** In 2024, we stabilised global vacancies to c.5% of our workforce. This reflects the output of a two-year improvement programme where the total number of vacancies in January 2023 stood at 6,481, compared to 2,225 in December 2024. Average time-to-hire decreased by 6.8%. Over the past year, voluntary turnover within key timeframes also dropped, with 449 fewer colleagues leaving within three months and 1,661 fewer leaving within 12 months.
3. **Transforming recruitment technology:** Following a detailed evaluation, we retained and strengthened our in-house recruitment expertise and partnered with Phenom People - an organisation whose mission is to help one billion people find the right work. Together, we have begun the process of implementing an enterprise-wide recruitment technology platform, set to go live in 2025.

By combining improved recruitment processes with streamlined systems, we are creating a stronger, more agile workforce ready to deliver better outcomes for our customers and communities.

In addition, addressing voluntary attrition and enhancing training has reinforced our ability to create more resilient operational teams. Lower turnover rates have contributed to a more experienced workforce, while improved onboarding and learning initiatives have better prepared colleagues to navigate risks effectively and maintain high safety standards.

Enhanced tracking of high-incident contracts, supported by Executive oversight and a collaborative approach, have led to improved health and safety-related outcomes.

The success of this integrated approach demonstrates how focusing on workforce stability, quality of hire, and training strengthens safety, reduces operational risks, and creates a more supportive environment for colleagues and the communities we serve.

See more in the People section of Our Impact on pages 36 to 41

Turning the Tide: How our Asia Pacific Division achieved a substantial reduction in voluntary attrition

What was done:

Post Covid-19, labour markets faced disruption, leading to higher voluntary attrition rates, increasing costs, and operational volatility. Our Asia Pacific team launched Project Orion, in which reducing attrition became a strategic priority with executive sponsorship and a data-driven plan.

The team addressed unique attrition factors with tailored initiatives, including better role advertising, improved candidate profiling, refined training and onboarding, leadership adjustments and competitive pay reviews. Positive momentum in Asia Pacific provided a global learning blueprint. Serco's International Collaboration event enabled teams to share insights and adapt strategies.

This initiative reflects Serco's value of Care, creating a supportive work environment and ensuring high-quality, reliable services.

What we achieved:

- Rapidly sharing knowledge to address high voluntary attrition globally.
- Tracking the five most challenging contracts in each division and reviewing their progress through the Divisional Performance Review (DPR) process.
- Meeting Agreed Staffing Levels (ASL) to avoid revenue abatements.
- Reduced Asia Pacific's annual voluntary attrition rate from 35% to 26.2%.

Our People and Culture continued

Unlocking potential through leadership and development

In 2024, Serco engaged global Talent Development teams to create a unified approach to performance, talent development and leadership continuity, laying the groundwork for Grow with Serco. This initiative places learning at the heart of our culture, aligning individual aspirations with organisational goals and providing pathways for growth and development. Guided by our values - Trust, Care, Innovation and Pride, and well-established standards of behaviour, the framework fosters growth-oriented behaviours, inclusivity and a shared commitment to success.

In 2024, key tools, frameworks and resources were designed and developed to support the launch of Grow With Serco in 2025. These initiatives are designed to empower colleagues, reinforce our values and drive a culture of excellence, bringing our global vision to life.

Aligning careers and compensation for equity

Colleagues have expressed a strong desire for more development opportunities, reflecting their ambition to grow and build long-term careers within the organisation. To support this, we conducted a comprehensive review of our global job architecture, with the aim of creating a clearer, more consistent structure for roles across Serco. Simplifying and standardising roles is essential to ensuring fairness in career progression by providing greater transparency on job expectations, skill requirements and pathways for advancement. By reducing unnecessary complexity, we can create more structured career opportunities, strengthen alignment with our organisational values and improve operational efficiency.

This work is a critical enabler of Grow With Serco, ensuring that all colleagues, regardless of location or role, have access to meaningful development and clear routes for progression.

In 2024, we conducted an independent Pay Equity Audit, using advanced statistical analysis to assess pay fairness across the UK's corporate workforce. This approach examined how various objective factors - such as job level, business unit and role type, contribute to differences in pay, allowing us to identify patterns and ensure a reliable assessment. The audit found a statistically significant link between gender and pay, with a gap of approximately 3% - a figure within regulatory thresholds but one that we remain committed to monitoring and addressing.

Moving forward, we will review flagged discrepancies, refine our pay policies and use these insights to strengthen transparency and fairness in our compensation practices. By taking this proactive approach, we are reinforcing our commitment to an inclusive and equitable workplace, ensuring that pay decisions are based on merit and that all colleagues have confidence in the fairness of their compensation.

Leveraging US talent to enhance global recruitment with advanced AI tools

What was done:

Serco's Talent Acquisition teams are crucial in sourcing strategic roles for the organisation and its clients. Many positions are highly specialised, leading to scarcity in suitable candidates and lengthy recruitment timelines. By creating more effective synergy between several AI-driven sourcing tools alongside established platforms such as LinkedIn and Talent Neuron, Serco's North America Talent Acquisition team has built a high-impact recruitment engine.

Led by a dedicated Sourcing Manager, these technologies amplify one another - automating searches, enriching data insights, and sharpening candidate targeting, ultimately accelerating hiring for hard-to-fill roles. This interconnected approach demonstrates how strategically layering technology can drive superior recruitment outcomes.

What we achieved:

- Over two years, a 21.4% reduction in time to accept, and a 48.7% reduction in aged vacancies (60+ days open).
- A US$5m reduction in recruitment agency spend for direct placements and contract to hire candidates.

Impact report

Our impact

Our ESG strategy is directly linked to our purpose to impact a better future, which we define as creating a positive impact for People, Place and Planet.

Our ESG framework brings together our strategic ESG priorities, enabling us to focus on core themes within these pillars. The foundation of our approach is our Responsible Business Foundations, which include a commitment to integrity, ethical decision making and living our Values every day.

Serco is a diverse and dynamic business, through which the impact and potential for impact is significant. Our strategy centres on maximising this impact through our most material ESG issues, supported by the high-level Double Materiality Assessment we undertook in 2022 (see page 34) and will be refreshing in 2025.

The strategic relevance of ESG to both the short and long-term success of Serco is recognised through our integration of core ESG metrics into our performance measures and relative weightings, which are linked to the remuneration of our leadership population. In 2024, the weighting related to ESG performance measures was 15% for annual bonus and 10% for our Long-term Incentive Plan, respectively, continuing our focus on the environment and colleague safety, engagement and retention.

In 2025, we will continue to strengthen our focus on ESG, enhancing our impact in line with our customer and broader stakeholder expectations.

Our ESG framework:

People

Supporting our colleagues to succeed

See pages 36 to 41 for more information

- Health and safety
- Wellbeing
- Diversity, Equity and Inclusion (DEI)
- Colleague engagement

Place

Helping our communities to thrive

See pages 42 to 44 for more information

- Service impact - delivering through our contracts
- Community and customers - delivering through our communities

Planet

Transitioning our business to Net Zero

See pages 45 to 51 for more information

- Serco's journey to Net Zero
- Supporting nature and biodiversity

Governance - Our Responsible Business Foundations

We act with integrity in all that we do. Everyone plays their part in complying with our Code of Conduct, policies and responsible business standards - on everything from health and safety to ethics and compliance, human rights and the prevention of modern slavery.

Our approach to materiality

Serco's focus on Double Materiality is growing, as we embark on compliance with the Corporate Sustainability Reporting Directive (CSRD).

Double Materiality as a concept continues to gain greater focus in ESG reporting regulations globally. In line with relevant regulatory requirements – specifically the CSRD – we continue to monitor industry guidance on the identification, treatment and reporting of topics from a Double Materiality perspective. Our ambition through this work is to better understand our impacts, risks and opportunities (IROs) from both a financial and non-financial perspective. Once better understood, our aim is to navigate, manage and report on these issues as required.

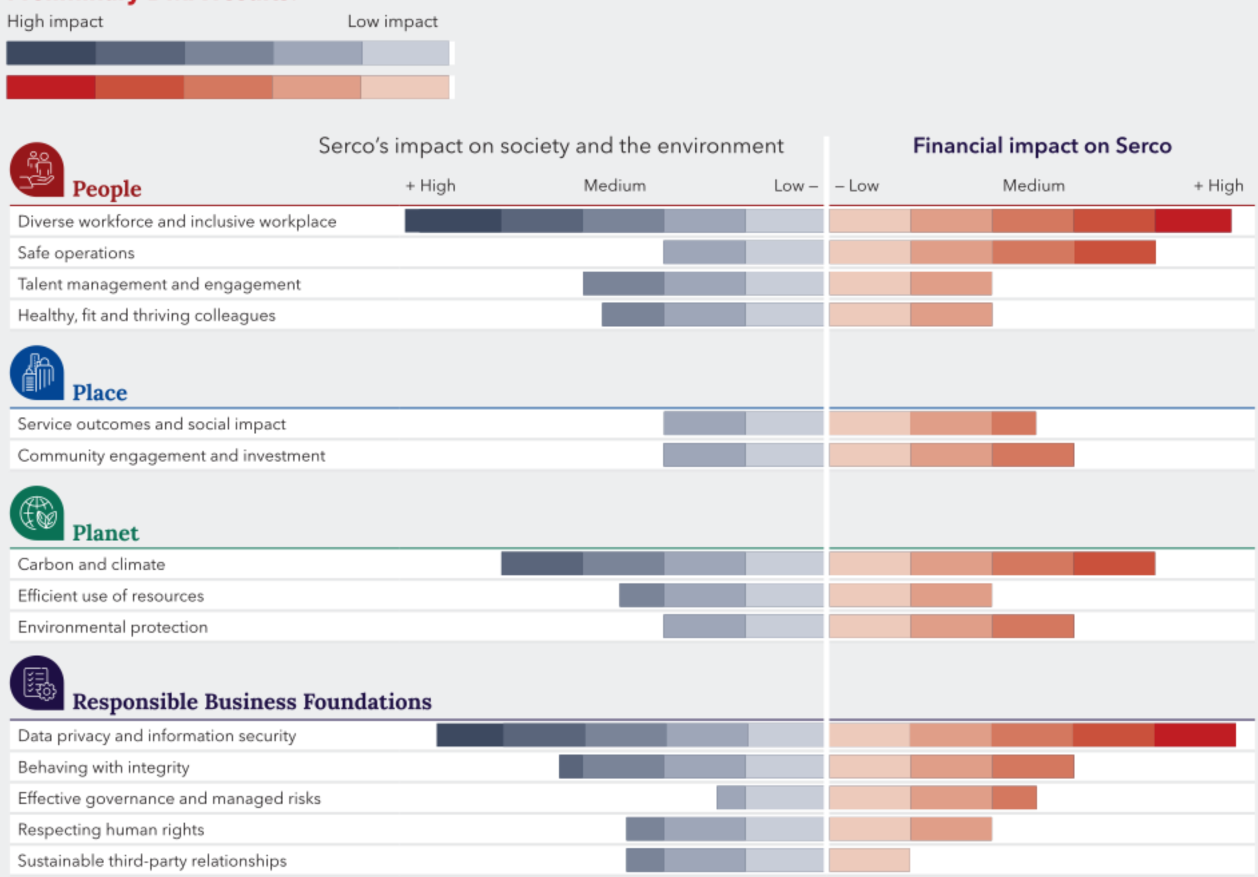
In 2022, we completed a high-level Double Materiality Assessment (DMA), which concluded that 14 issues were of most material importance (in relation to Serco) to our various stakeholders, including customers, shareholders and colleagues. For this exercise, we relied on Datamaran, an AI-powered, data-driven platform that enables companies to identify their ESG risks, opportunities and impacts, using analysis from multiple sources. Those issues have been mapped to our ESG framework, and in 2025 we will be partnering with Datamaran to undertake a further, more comprehensive DMA in line with CSRD requirements.

> We are pleased to be partnering with Serco to enable their CSRD compliance through smart ESG governance. Serco has demonstrated a strong commitment to bolstering their approach to ESG and using the Double Materiality Assessment process to build a solid foundation for managing and monitoring their material sustainability issues going forward.

Marjella Lecourt-Alma
CEO and Co-Founder of Datamaran

Datamaran THE SMART WAY TO ESG

Preliminary DMA results:



Impact report continued

Our approach to reporting

Our approach to reporting is designed to help us better inform and communicate with a range of stakeholders. Key publications in our reporting suite are detailed below.

Our reporting and disclosures are designed to meet regulatory requirements and external stakeholder expectations, while also providing insight into our priorities, progress and ambitions on all areas of ESG strategy.

ESG Impact Report

For more information go to https://www.serco.com/our-impact

ESG Data Book

For more information go to https://www.serco.com/our-impact/performance

Impact Hub

https://www.serco.com/our-impact

ESG indices

On an annual basis we participate in a select number of ESG indices to support our improvement and transparency. The table below outlines our latest scores and we are pleased to have seen some improvement in 2024.

Sustainability indices	Scale	2024	2023	2022
MSCI	AAA to CCC, AAA as a best possible score	A	BBB	BBB
Sustainalytics	0–100, 0 as a best possible score	18.4	21	19.1
ISS ESG Corporate Rating	A+ to D-, A+ as a best possible score	C	C	C
S&P Global CSA/DJSI	Ranking of companies, 100 as a best possible score	57	48	54
FTSE4Good	0–5, 5 as a best possible score	4.5	4.1	–
EcoVadis	0–100, 100 as a best possible score	60	–	–
Workforce Disclosure Initiative	Number of questions with a meaningful response expressed as a percentage, 100% as a best possible score	88%	93%	–
CDP	A-F, A as a best possible score	A-	B	A-
Europe's Climate Leaders, Financial Times	Ranking of companies, 100 as a best possible score	76	63	–

Impact report continued

People

Supporting our colleagues to succeed

We place our people at the heart of our mission to partner for impact, striving to make Serco a place of safety and support, where everyone matters and everyone belongs – a place worthy of our colleague's dedication and commitment.

Inclusivity, engagement, safety and wellbeing are fundamental elements in our approach to maintain a collaborative, high-performing culture and a loyal workforce of diverse, top-tier talent to enable our continued growth and resilience.

2024 highlights

22%	**Reduction in Lost Time Incidents (versus a 2023 baseline)**
72	**Colleague engagement score (up from 71 in 2023)**
GOLD	**Membership in the 5% Club, reflecting our dedication to creating 'earn and learn' apprenticeship opportunities**

Health and safety

Health and safety is a core business priority for Serco, as our people serve society in some of the most physically and psychologically demanding situations and environments on the planet. As governments call on us to help manage the complex issues of an increasingly volatile world, the risks we encounter can be significant.

Health and safety at Serco

Our health and safety efforts focus on our vision of 'Zero Harm'. A core part of this is helping colleagues to better recognise and remain alert to everyday risks through ongoing campaigns, training and engagement efforts. In 2024, we continued to emphasise the importance of safety in how our colleagues think, work and behave, including through our annual Zero Harm Week.

At the beginning of 2024, we set a goal to reduce LTIs by 50% by the end of 2026, against a 2023 baseline. Through visible, data-driven safety leadership and communication; and by driving colleague ownership and accountability, we are pleased to have seen a 22% reduction in the number of Lost Time Incidents (LTIs) in 2024, a 31% reduction in associated lost days, an 8% increase in recorded Zero Harm engagement activities and a 62% increase in reported safety observations. However, we have seen an increase in incidents involving violence and aggression in some areas, which has had the impact of increasing assaults and serious assaults by 31% and 29% respectively.

Understanding and managing such incidents has always been, and continues to be, a priority and has seen heightened focus in 2024. We have received recognition for our safety culture and commitment, including Serco in the Middle East winning 'Game Changer in Health, Safety & ESG' at the Game Changers in Sustainability and Technology Awards 2024.

ZEROHARM

Think Safe. Work Safe. Home Safe.

% reduction in Lost Time Incidents (LTIs)

2024 Performance	2026 Ambition
22%	50%

Versus a 2023 baseline

Focused efforts in 2024

We have intensified efforts throughout 2024 to address principal safety risks. Key achievements include:

Public violence and aggression: In our Justice business the challenges in the wider Justice sector have been felt within our Justice estate. In 2024, we introduced a number of initiatives to try and reduce the increased levels of violence and assaults on our staff; establishing a Safer Custody Taskforce, introducing body-worn cameras into our UK Prisoner Escort business and trialling innovative AI-based safe-cell behavioural analytics in our Asia Pacific prisons. This continues to be an area of significant focus through 2025.

Slips, trips and falls: Introduced new foot traction slip-on devices for our Drivers Examination Services business in Canada, which have contributed to a 22% LTI reduction.

Road risk: Implemented 'Mobileye' collision avoidance systems and an online driver evaluation and training portal in the US. We also introduced safety light displays on refuse collection vehicles in our UK Environmental Services business, to help alert colleagues to other vehicles in proximity.

Contract collaboration: We have grown our Contractors Forum programme in Serco in the Middle East, evolving from several Divisional-level events to a greater number of contract-led forums. By openly discussing health and safety challenges with our partners, we are driving focused collaboration in the name of improved safety performance.

2025 priorities

We will continue to work towards our Zero Harm vision, maintaining sharp focus on principal safety risk sites and seeking to drive value out of our 2024 improvements; exploring opportunities to leverage the growth of safety observation reporting to drive new prevention focus on injury-risk events; ongoing continuous improvement of our health and safety training needs analysis and content; and exploring data-driven opportunities to develop incident prediction capabilities.

Impact report continued

Wellbeing

We understand that a healthy workforce is a more engaged and productive one, and are, therefore, proud of the steps we have taken to support our people with mental health resources and wellbeing initiatives that promote a holistic approach to health.

Serco colleagues never shy away from the toughest challenges, so our job is to give them the best protection and support we can, to enable them to keep doing the same for others. This includes striving to maintain higher levels of psychological and physical fitness, resilience and stability – for themselves and the vital work they do.

Prioritising psychological health and safety

In 2024, Serco's operations at His Majesty's Prison (HMP) Ashfield were the first prison to have achieved recognition for the implementation of BSIs Psychological Health and Safety at Work Scheme based on ISO 45003:2021. ISO 45003 is the accreditation for robust management of psychosocial risks in the workplace, issued by the International Organization for Standardization.

The accreditation provides a framework to identify and address potential psychological hazards that could affect our colleagues, and while achieving it for HMP Ashfield, we also retained our ISO 45003 Group certification. The ISO 45003 framework provides a foundation for the 'Trauma Support Pathway' we are developing for colleagues, and have been building through implementation of a trauma risk management approach across our UK Justice & Immigration business, including trials of post-incident trauma assessments at HMP Thameside and trauma-focused therapy at HMP Dovegate.

We were recognised for these efforts with the Workplace Wellbeing Award at the UK Mental Health Awards in 2024.

Building on our ISO 45003 journey, we have launched a new 'Psychological Consequence LTI' metric to manage psychosocial risks (aspects of work design, management and social and organisational contexts that can cause psychological or physical harm) in our operations with the same forensic rigour as we do physical risks.

% reduction in Psychological Consequences LTIs

	2026 Ambition
New ambition launched	25%

Against a 2024 baseline, which will be created in 2025

This new metric will highlight areas of positive practice, while also enabling us to target specific interventions to reduce incidents for our colleagues. We will establish a 2024 baseline for this metric in 2025, in order to measure progress towards the 2026 ambition. This work has been informed by our wellbeing research partnership with Sheffield University and a digital psychosocial risk assessment pilot.

Improving colleague wellbeing

Our colleague wellbeing work continues to be informed by the CCLA Mental Health Benchmark, where we have retained our Tier 1 ranking, becoming one of only two in the Top 100 participating employers to do so for three consecutive years. We continue to prioritise mental health training, with our Wellbeing Ally network reaching 259 colleagues. This includes maintaining and improving our regional Wellbeing Programmes and Employee Assistance Programmes.

Our comprehensive approach to colleague health and wellbeing includes financial wellbeing, to support our colleagues to achieve and maintain financial resilience while making the most of their money. Under leadership from our new Group Head of Pensions and Financial Wellbeing, appointed in 2024, we will continue seeking out new and innovative ways to support the financial wellbeing of our colleagues through all stages of their careers with Serco.

In 2025, we plan to use data from our new Psychological Consequence LTI metric to target more effective risk controls, roll out further ISO 45003 certifications in key business areas, and refresh our wellbeing training offer to further embed psychological and physical fitness, resilience and stability across our organisation.

Diversity, equity and inclusion

At Serco, we are working to create fairer and more inclusive environments for all colleagues, and the communities that we serve.

Our diversity, equity and inclusion (DEI) approach is focused on tackling obstacles that colleagues from disadvantaged backgrounds face. We adopt a comprehensive approach to understanding the challenges faced by different groups, and the overlapping barriers experienced by some. This supports us to create inclusive solutions for all colleagues. We also have a specific focus on tackling the under-representation of women in global senior leadership positions. Overall, this agenda is rooted in the pursuit of meritocracy, and the importance of championing merit-based, rather than prejudice or discrimination driven successes.

Colleague experience is important to us, which is why we work to build support structures that benefit all and enable them to succeed. In 2024, we launched a new programme in the UK & Europe division, Empower, designed by Serco women in leadership to help support more women into leadership positions. In 2025, we are launching a new talent acquisition platform that will look to tackle bias faced by many groups, including women and under-represented ethnic groups. We continue to share Serco's experience and insight externally where appropriate, including the Serco Institute report, 'Marching Towards Inclusivity: Bridging the Gap Between the Armed Forces and Society,' published in March 2024.

In response to the US President's Executive Orders regarding DEI and Gender Ideology in January 2025, we are actively reviewing the policies and practices applicable to our operations and employees in the United States to ensure full compliance with the relevant anti-discrimination laws.

Underrepresented ethnic groups

At Serco, we recognise that diversity at the Board level is critical to driving sustainable success and fostering a culture of inclusion. Change begins at the top, and we are proud to have exceeded the Parker Review's target of having at least one minority ethnic Group Board member, with two members currently in place. This achievement demonstrates our commitment to creating an inclusive leadership team that drives positive change across the organisation.

Our Middle East Nationalisation programme, Indigenous programme in Australia, and upcoming UK Black Talent programme are examples of our focus on tackling challenges faced disproportionately by under-represented ethnic groups. We are also committed to the UK Race at Work Charter and the UK Government Parker Review. Our multiculturalism network, SercoEmbrace, has partnered with Business in the Community on this priority area.

Women in global leadership

2024 Performance	2026 Ambition
34.6%	37%

Versus a 2024 baseline

We actively seek colleague feedback on our approach to DEI to iterate its design. Two of our top scoring areas in our colleague engagement survey relate to DEI, 'Serco actively promotes diversity' and 'I feel like I belong at Serco', with male and female colleagues scoring these questions equally, 74 and 75 out of 100 for each question respectively. We are looking at talent that is coming into the business and creating internal pathways for the talent that already exists within our business.

Championing equity through digital inclusion and development

We believe DEI can only be achieved when everyone has fair access to the tools, training and opportunities needed to thrive. We have, therefore, made digital inclusion a strategic priority, with a focus on under-represented groups. During 2024 we have driven frontline digital inclusion initiatives in both our UK & Europe and Asia Pacific divisions to create awareness and provide simpler ways of connecting. In the UK & Europe 4,475 frontline workers connected onto Serco systems through the initiative, and in Asia Pacific a new mobile App has enabled 2,030 new users to be regularly accessing Serco systems.

'Belonging' is a focus area in our new behavioural framework, Serco Standards, which supports colleague development and career progression. It also features in our new training programme, Licence to Lead, which helps to raise inclusive people-management capability. We anticipate that our new Talent Hub – a digital performance and career marketplace platform – will help raise visibility of diverse talent, supported by new AI-driven recruitment tools, which support greater diversity in candidate pools. This platform will not be launched in the United States.

Impact report continued

Empowering diversity through colleague networks

We support a system of strong colleague networks to help colleagues mobilise around the issues they care about. Our networks aim to engage colleagues of all levels and backgrounds, to gather insights, shape policies and bring our diversity to life through colleague-led events. They also maintain specialist partnerships in key focus areas.

		Activities and achievements in 2024 include:
sercoinspire – Inspiring women across Serco to succeed	Gender	• Launching our new 'Empower' development programme for women in the UK & Europe division. • Successful completion of the White Ribbon Australia Workplace Accreditation Program, strengthening our stand against gendered violence and sexual harassment. • Winning 'Best Employer (over 1,000 employees)', and 'Best Employer Network' for our Women in Technology network, at the UK Women in Tech Employer Awards 2024.
sercoembrace NETWORK	Multiculturalism	• Continued partnership with Evenfields, a grassroots organisation supporting black and ethnic minority talent, to create and deliver a new Black talent development programme, Ignite. • New partnership with Dubai Airports to foster Emirati talent and a NAFIS (UAE Nationalisation programme) Award for our broader Nationalisation efforts in the UAE. • Growing our Kanyini First Nations network in Serco Asia Pacific.
in@serco	LGBTQ+[1]	• Continuing to support and empower the voices of our LGBTQ+ community and allies, including celebration and awareness-raising around key events in the LGBTQ+ calendar. • Amelia Mugridge, Chair of In@Serco, won 'Future Leader' recognition at the British LGBT Awards. • Continuing to fund the multi-year Serco Scholarship, in Asia Pacific, to support LGBTQ+ youth as a Gold partner of the Pinnacle Foundation, an LGBTQ+ education charity.
sercoUnlimited	Disability - visible and nonvisible	• Retaining 'Leader' accreditation in the UK Disability Confident scheme. • Our colleague, Claire Kimberley, won a Chartered Institute of Personnel and Development (CIPD) Award for her learning programme, Neurodiversity for Managers. • Working with The Butterfly, an advocacy agency supporting disabled people, to update our Middle East supplier diversity strategy.
serco parents & carers	Parents and carers	• Becoming an Employer Member with Working Families, the UK charity for working parents and carers. • Completing The Working Families Benchmark to evaluate our culture, policies and practices against industry best practice and identify opportunities for further improvement.
sercoVets & forces community	Veterans	• Winning 'Employer of the Year' at the National Veterans' Employment Awards in Australia. • Running our SercoVets Mentorship Program to support veterans in North America, where we have been awarded VETS Indexes 5-Star Employer for the fourth consecutive year.

1. This is a UK network.

Impact report continued

Colleague engagement

We are committed to maintaining a resilient and motivated workforce in a challenging world.

The engagement of our colleagues helps shape our approach and strategy throughout the year. By assessing how they feel about Serco, we can better anticipate and respond to colleague needs, and optimise the conditions for them to thrive in the workplace.

Taking action on colleague feedback in 2024

Throughout 2024, we built on the results of our 2023 colleague engagement survey, Viewpoint, with Group and Divisional action plans, which addressed colleague feedback. This included:

- Strengthening our UK Apprenticeships Programme to expand the variety of opportunities on offer and increase awareness among eligible colleagues. We were also awarded Gold accredited membership in The 5% Club – a movement of employers committed to increasing 'earn and learn' opportunities in the UK – which means more than 5% of our workforce are on earn and learn schemes. We also achieved our maximum levy gifting pledge of more than £3m, and pledged to gift £1.4m to support Serco suppliers going forward, aligned to our supplier diversity strategy.
- Running a programme of interactive events in multiple locations for all Middle East colleagues, called the 'Wheel of Impact', focusing on increasing colleague awareness and engagement on Group purpose and strategy.
- Launching a new 'Serco Connect' mobile app in Asia Pacific to make it even easier for colleagues to access Serco systems and resources, regardless of role and location.
- Running our third Career Week in North America, centred on fostering colleague empowerment, responsibility for career growth, and equipping colleagues with tools to drive their careers with Serco.

Improvement plans targeted operational sites whose 2023 results indicated a need for intensified efforts. All targeted sites demonstrated improved levels of engagement in 2024. We also monitor progress through frequent site-specific pulse surveys.

Gaining deeper insights from our new starters

To support the evolution of our colleague engagement strategy and continue improving the quality of our new starter experience, we worked to increase uptake in our 'Getting Started at Serco' colleague feedback survey, raising participation by 8% from 2023 to 2024.

Colleague engagement

2024 Performance	2026 Ambition
72	73

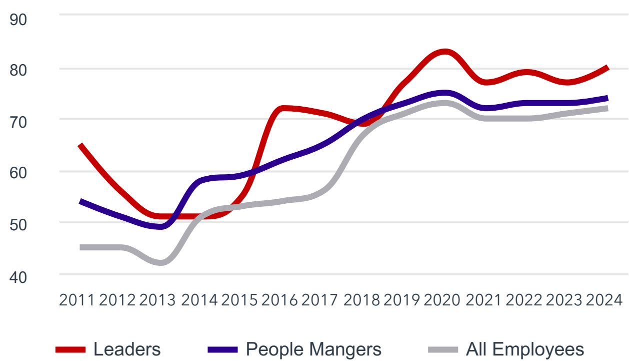
Versus a 2024 baseline

% reduction in staff voluntary turnover

2024 Performance	2026 Ambition
10.2%	50%

Versus a 2024 baseline

Viewpoint 2024 results and insights



Findings from our 2024 Viewpoint survey indicated modest but steady gains in colleague and leadership engagement worldwide. Overall engagement rose from 71 to 72, with overall leadership engagement increasing from 77 to 80. Thematically, colleagues continue to give feedback that providing a high level of service to customers and service users is a key strength. Although many colleagues told us they have had positive experiences with career development at Serco, the main areas where they feel we need to make improvements are career opportunities and future prospects.

Colleague engagement will remain a priority in our People Strategy going forward, as will enhancing digital inclusivity for frontline teams. Through our new 'frontline employee experience programme' (FEXP), we aim to provide our teams with a virtual space for daily communications, resource access, continuous training, and the management of everyday tasks, to help make the colleague experience at Serco even easier and more enjoyable. We will also re-energise our Board Colleague Voice programme with the appointment of a new Colleague Voice Lead from our frontline operations.

Celebrating colleague impact

Our Impact Awards are the most prestigious way we celebrate our colleagues and honour deserving individuals and teams who live our Values. These awards recognise those who go above and beyond in creating positive impact for people, place, and planet. In 2024, we received nearly 1,000 nominations from across our four Divisions and celebrated over 100 winners at both the Divisional and Global levels.

Impact Report continued

Place

Helping our communities to thrive

In every region where we operate, we provide local services, employ local people, and participate in local social and economic ecosystems.

In this context, the 'Place' where we operate is of critical importance to us. Our teams are committed to creating value within their local communities alongside delivery of societal infrastructure for governments, helping to build local and regional resilience.

2024 highlights

£7m	Community investment ambition by 2026 (versus a 2024 baseline)
£33m	Proxy Social Value delivered, as estimated using the Social Value Portal's TOMs System
£568k	Donated by the Serco People Fund

Impact report continued

Service impact

Delivering through our contracts

Our customers trust us to manage and meet the needs of specific communities, delivering life and place-enhancing outcomes for individuals and society. Some are local communities and some are defined by specific social challenges. For each, we deliver people-centric services, addressing distinct needs while working to improve the service-user experience and optimise impact.

1. **Prisoner rehabilitation**
2. **Employability support**
3. **Veteran and Indigenous communities**

Facilitating prisoner rehabilitation
With extensive experience in prisoner management, we help governments and service users to generate value from Justice systems through technology, specialist partnerships and a focused rehabilitative approach to offender management.

In the UK, for example, our Psychological Services team supports offenders through specialist behavioural analysis and evidence-based interventions, including our Break The Cycle programme for self-harm and RE-ACT training to impact safety. We have also launched the Shout mental health app for prisoners, giving them discreet and confidential 24/7 access to mental health support. We continue to partner with Koestler Arts, a charity supporting rehabilitation through artistic creative expression.

Supporting job seekers into sustainable employment
We deliver government employability programmes to help unemployed communities upskill and find their way into sustainable employment. In Ontario, Canada, we deliver EmployNext, an integrated employment services programme assisting job seekers in upskilling and matching to employment opportunities. Collaborating with a wide range of partners, our team works to embed EmployNext in the community, addressing disadvantaged community access barriers and ensuring that individuals with complex needs are connected with specialist support providers.

Helping the veteran community to thrive
We recognise the value of ex-forces personnel and the challenges they can face. We are proud to support veteran communities through employment, partnership and sponsorship. Our SercoVets network offers colleagues an array of initiatives and activities, transition support, professional development, mentoring and networking opportunities. Serco signed the UK Armed Forces Covenant in 2013, a public declaration of our commitment to help support ex-forces personnel transitioning into work, which we do in the UK through our work with organisations such as the Careers Transition Partnership.

Supporting Indigenous communities in Australia and Canada
We are committed to supporting national Indigenous reconciliation movements in Australia and Canada, helping governments to address inequality and build stronger relationships between all members of the community. In 2024, we launched our fourth Reconciliation Action Plan (RAP) in Australia, which has been awarded 'Stretch' status by Reconciliation Australia, in recognition of "a very strong approach towards advancing reconciliation internally and within the organisation's sphere of influence". We are also developing a RAP for Serco Canada.

Supplier diversity
We work to maximise service and community impact by diversifying our supply chain to include a range of small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs). We also collaborate with our suppliers, supporting them in contributing to Serco ESG objectives in a proportionate way where relevant.

Region-specific supplier diversity programmes operate in different Divisions, aligned to local ESG priorities. In North America, that includes veteran-owned small businesses and in Australia, it includes Indigenous enterprises. In the Middle East, we are working with The Butterfly, an advocacy agency supporting people with disabilities in the UAE, to baseline and then raise DEI maturity in our supply chain whilst incorporating this approach into new supplier selection.

In the UK, 41% of Serco suppliers are SMEs or VCSEs and 27% of Serco spend in the UK is with suppliers that are SME or VCSE. In 2024, Serco pledged more than £2.5m of its unspent Apprenticeship Levy fund to local SME employers and public service providers, supporting vital training and skills. In 2025, we will be applying to the UK Government's Fair Payment Code and developing our plan to progress through the tiers. We will also be improving our standard payment terms for SMEs from 30 to 21 days, committing £1.4m of Apprenticeship Levy gifting to SME and diverse suppliers, and embedding advocacy for them in our procurement processes.

Delivering social value
In support of the UK Government's requirements regarding the delivery of social value, we are using the Social Value Portal and the National Themes Outcomes and Measures (TOMs) System to attribute proxy financial values for key social value activities. The TOMs system is a recognised method for calculating social value delivery, which aligns to the UK Government Social Value Model. The System is underpinned by extensive research and evidence, calculating financial values from publicly accessible data, backed by economists and data analysts. In 2024, we increased the number of UK contracts recording social value using the Social Value Portal to 56 contracts from 19 contracts in 2023[1]. This has delivered an estimated £33m in proxy value. This equates to an estimated additional value (relative to contract value) of 2.9%. In 2025, we plan to onboard a significant number of our Health and Defence contracts while also sharpening our focus on the delivery of local employment opportunities.

1. In 2023, we reported our social value proxy figure for the first time. This number was subsequently reviewed and assured; and reduced from a stated £43m to £42.6m.

Community impact

Delivering for our communities

Throughout our many diverse teams and operations, our colleagues are passionate about supporting their local communities. We actively engage in projects and partnerships that benefit our communities, whilst also supporting and sponsoring causes aligned with our Values.

In 2024, we set a new, three-year ambition of £7m in community investment from 2024 to the end of 2026. This marks a strengthened approach to community investment activity, aligned to specific thematic focus areas. We will be building out an updated community investment strategy in 2025, in support of this commitment.

Community investment

2024 Performance	2026 Ambition
£359k	£7m

Versus a 2024 baseline

The Serco Foundation

The Serco Foundation is a charitable trust working to support vulnerable citizens and enhance public service outcomes by sponsoring associated causes internationally. In total, the Foundation donated £56k[1] to six charities in 2024. Beneficiaries have included the St Peter & St James Hospice and the Winston's Wish charity for families affected by suicide.

Total donations for 2024

£56k

1. We are currently reviewing our approach to the Foundation, to ensure that we maximise impact in line with its charitable aims and objectives. As a result we expect the total to increase in 2025.

The Serco People Fund

The Serco People Fund is an independent charity providing grants to current and retired Serco colleagues and their families when they face extraordinary financial challenges. In 2024, the Serco People Fund aided more than 359 people around the world with grants totalling over £568k.

Total donations for 2024

£568k

Corporate donations and sponsorship

We are proud to stand beside the charitable causes that matter most to our colleagues and communities. In addition to others mentioned in this report, significant Serco donations and sponsorships in 2024 include AUD100k to the Clontarf Foundation, supporting Indigenous students, US$25k to Make-a-Wish America, and AUD20k to the Koori Knockout, the largest Indigenous sporting event in Australia.

Donation to Clontarf Foundation

AUD100K

Volunteering and being good neighbours

We support our colleagues to volunteer in the community and to be good neighbours in the good times and the bad. Achievements in 2024 include:

- When residents of Labrador City were evacuated to Happy Valley-Goose Bay due to wildfires in July 2024, our colleagues at Canadian Forces Base 5-Wing Goose Bay stepped up to provide shelter in collaboration with the Department of National Defence. Sustained efforts by senior management, customer service and janitorial teams helped house more than 700 evacuees.
- Serco in the Middle East launched a new Social Impact Programme in 2024, enabling participation in 55 charity events, with 938 volunteers from across the business giving 2,971 hours to chosen causes.
- Serco is a major sponsor of the non-profit community celebration, the Grafton Jacaranda Festival, in New South Wales, Australia. The biggest event in the local community calendar, it depends on local partners like Serco. In 2024, our volunteer team from Clarence Correctional Centre doubled their 2023 hours to more than 2,800. Total Serco in-kind support was calculated by the festival organisers to be AUD140,000 this year.

Hours given to charity

8,362

Impact Report continued

Planet

Our transition to Net Zero

The climate and nature crisis represents one of the biggest challenges of our time. We recognise the risks and opportunities it presents to our business, and the important role we have to play in reducing our Greenhouse Gas (GHG) footprint.

We have set a target to reach Net Zero by 2050, or sooner, which is the milestone guiding all of our related environmental work.

Our goal aligns closely with our purpose to impact a better future, as environmental sustainability represents a critical factor in the wellbeing of society. This commitment is demonstrated through the ongoing reduction of our own GHG footprint, and the delivery of sustainability services for governments internationally.

2024 highlights

34%	**Reduction in operational GHG emissions (Scope 1 and 2) versus 2022 base year**
100%	**Reliance on renewable-sourced electricity globally for the first time**
91%	**Of our EcoVadis rated suppliers scored above the minimum threshold**

Impact report continued

Serco's journey to Net Zero

Our Net Zero targets were validated by the Science-Based Targets initiative (SBTi) in 2024, establishing robust milestones for us to work towards over the months and years; and a solid foundation for our Climate Transition Plan (CTP), which is being updated in 2025 to align with these new targets (see below).

We are reliant on factors that we do not directly control to meet our targets. Proactive collaboration and influencing is, therefore, a key element in our approach. This includes working with our customers on investment in lower-carbon infrastructure and assets, advocating for progressive, climate friendly policies where appropriate and with our supply chain to support and accelerate their own adoption of SBTs, as part of the transition to Net Zero.

For the full text of our approved targets, see our website.

Net Zero by 2050

Serco's Science-Based Targets

Our own operations

46%
reduction of operational emissions reduction by 2030 (Scope 1 and 2)

25%
reduction in business travel and fuel-and energy-related emissions by 2030

Our supply chain

95%
of suppliers (by emissions) to have Science-Based Targets (SBTs) by 2028 (Scope 3)

Our operational emissions

In our direct operations, we prioritise the avoidance and reduction of GHGs through energy efficient operations, the use of renewable energy, and efforts to decarbonise our fleet and client assets.

46%
reduction in CO_2e emissions by 2030 from 2022 baseline

Lower emission fleet and fuels

Highlights: Petrol: **24% to 20%** Diesel: **46% to 45%** Hybrid: **20% to 23%** Electric: **10% to 12%. In 2024, fleet emissions accounted for 86% of our overall Scope 1 and 2 emissions.**

2024 performance

- We continue to decarbonise our fleet within our UK Environmental Services business. 27% of our refuse collection vehicles have moved from diesel to hydrotreated vegetable oil (HVO) fuel, which is around 90% less carbon intensive.
- We increased our global percentage coverage of electric and hybrid vehicles to 35% of our total fleet from 30% in 2023.

2025 priorities

- UK Net Zero fleet strategy to be developed and adopted, including:
  - Fleet decarbonisation in our UK Environmental Services business, which accounts for 24% of group Scope 1 and 2 emissions, through targeted customer engagement on the transition to HVO and electric vehicles (EVs).
  - Explore a low-carbon vehicle trial for our UK Prisoner Escort and Custody Services fleet, which accounts for 14% of Group Scope 1 and 2 emissions.
- Refresh a significant proportion of our Asia Pacific fleet to lower emission vehicles.

Renewable-sourced electricity (RSE)

Highlights: North America: **25% to 100%** Middle East: **retained 100%** Asia Pacific: **5% to 100%** UK&E: **88% to 100%**

- We became 100% reliable on RSE globally in 2024, delivering a 14% emissions reduction.

- Continue to purchase RSE across the Group.
- Explore opportunities to deploy RSE within our contracts.

Decarbonising the built environment

- Energy efficiency measures contributed toward 960 TCO_2e savings from fuel use in our buildings.
- 24% reduction in natural gas use across our North American building portfolio.

- Review opportunities to electrify heating in buildings.
- Explore green leasing opportunities with landlords along with wider energy efficiency opportunities.

Impact report continued

Our operational emissions continued

25%

reduction in business travel emissions by 2030 from 2022 baseline

Reducing business travel

- Reduced travel emissions in two divisions however increased overall by 23% due to Covid-related travel impacts in our 2022 base year.
- Planning undertaken for enhanced sustainability features to be introduced in travel booking process.

- Review our travel policies (including our company car policy) to support achievement of our new business travel target.
- Introduce enhanced sustainability features in travel booking processes to support colleague awareness of CO_2e impact of travel choices.

Transitioning to electric vehicles in our UK Environmental Services business

In 2024, we conducted an eight-week pilot of electric refuse collection vehicles (eRVCs) with our partners Vitol Electric Vehicles and Refuse Vehicle Solutions. Our ambition was to demonstrate the capabilities of eRCVs to reduce the substantial GHG footprint created by recycling and refuse collection. Covering 69 collection routes in Hampshire, UK, the pilot saved 8 tonnes of GHG emissions. We are exploring options to deploy this solution more widely across similar contracts.

Supporting our customers to reach Net Zero

In 2024, we launched a new international advisory business, +impact, to provide user-centric solutions designed to support customers throughout project lifecycles and into operations. +impact is already channelling Serco experience and expertise to address customer challenges on climate change and the environment, delivering practical pathways to sustainability – from waste reduction strategies to realisable Net Zero commitments. At the centre of +impact environmental expertise is Climatize, the UAE-based sustainability and engineering consultancy acquired by Serco in 2024. An ecological leader in green building engineering and sustainability strategies, Climatize is reinforcing the +impact portfolio and extending our capabilities into new service areas.

We also support our customers' transitions to Net Zero when we work on customer premises and assets and are not in direct financial control of those assets. For example, Serco Northlink Ferries is operated on behalf of Transport Scotland and our UK Leisure business is delivered on behalf of local government and leisure trust customers. In a similar way to our direct operations, we focus on operational efficiencies, the transition to low-emission fleet and fuels and decarbonising the built environment. Northlink Ferries fuel efficiency improvements in 2024 delivered a 4.5% emissions reduction, and we continue to support renewable energy shore power plans in Aberdeen. Leisure centre photovoltaic array installations in 2024 delivered circa 41 tCO_2e reduction. We will continue working to progress energy efficiency improvements across our leisure portfolio in 2025.

Reduction in Scope 1 and 2 emissions

2024 Performance	2030 Target
34%	46%

Versus a 2022 baseline

Reduction in Scope 3 emissions
(from business travel and fuel- and energy-related)

2024 Performance	2030 Target
+2%	25%

Versus a 2022 baseline

Impact report continued

Decarbonising our supply chain

The emissions within our supply chain represent the biggest proportion of Serco's Scope 1, 2 and 3 GHG emissions at 57%.

Working closely with our supply chain to tackle these emissions is a key focus of our Net Zero strategy. Our approach to supply chain decarbonisation is born from our historical approach to sustainable procurement, which has worked to incorporate ESG principles into the sourcing of goods, products and services throughout the supply chain. With a newly validated Science-Based Target (SBT) related to ensuring that 95% of our suppliers, by emissions, have SBTs in place by the end of 2028, we will be embarking on the creation of a new Sustainable Procurement programme in 2025, which is directly linked to the achievement of that target.

% of suppliers (by emissions)
to have science-based emissions targets

2024 Performance	2028 Target
15%[1]	95%

Versus a 2022 baseline

This work will be underpinned by our Sustainable Procurement Charter and supported by the Supplier Code of Conduct. This Code sets out the high standards we expect from our suppliers of products and services, regardless of where they are located. Core topics include environmental management.

The challenge

57%

of Serco's emissions are within our supply chain

The approach

1 Measuring our suppliers' emissions via Emitwise

Emitwise analysis aims to provide robust calculations of GHG emissions across the supply chain and per supplier, enabling improved transparency and the identification of priority focus areas.

2 Understanding sustainability risk and opportunity via EcoVadis

EcoVadis assessment aims to improve visibility and understanding of supply chain maturity in four areas: environmental impact; labour and human rights; ethics; sustainable procurement.

3 Creating a Sustainable Procurement Programme in 2025

In 2025 we will be creating a Sustainable Procurement programme to support achievement of our newly-validated supply chain target.

The target

95%

of suppliers (by emissions) to have Science-Based Targets (SBTs) by the end of 2028

The foundation: Our Sustainable Procurement Charter

1. 13.5% have targets validated on SBTi, 1.5% are committed/awaiting validation.

Impact report continued

Decarbonising our supply chain continued

Measuring supply chain emissions
In 2024, we established a new partnership with Emitwise, a leading AI-enabled technology platform designed to support the measurement of supply chain emissions. This data will support more tailored conversations with suppliers, as part of our collaborative efforts to reduce supply chain emissions in the years ahead.

Supplier engagement campaigns will commence in 2025, targeting carbon-intensive, preferred suppliers who do not yet have SBTs. Participating suppliers will receive free access to a corporate emissions calculation service, helping them measure their carbon footprint and begin their decarbonisation journeys.

Driving sustainability performance of suppliers
We have also continued our partnership with EcoVadis, the globally recognised sustainability assessment platform, which we launched in 2022. Alongside engagement campaigns targeting preferred suppliers, in 2024 we introduced a minimum assessment score threshold of 45 (out of a possible 100).

As of 31 December 2024, the average score of all rated suppliers was 60.1, which is 12.6 points above the EcoVadis global benchmark. 91.4% of suppliers scored above the threshold and 65.8% achieved EcoVadis Medal status, demonstrating higher levels of sustainability maturity than the market average. We are also using the platform to support suppliers to improve their scores. Of the 178 suppliers who completed reassessment in 2024, 122 improved on their previous score.

	2023	2024	2025
Number of suppliers with EcoVadis rating	178	274	350
% of supplier addressable spend represented	29%	44%	58%

In 2025, we plan to introduce sustainability criteria into our sourcing processes, linked to our new SBTi-validated targets, including a contract clause requiring EcoVadis assessment for newly onboarded in-scope suppliers.

In 2024, we completed our own EcoVadis assessment, scoring Bronze Medal status. This puts us in the top 35% of companies assessed, and we look forward to working to improve our score in 2025 and beyond.

Emitwise

Emitwise is proud to support Serco in their efforts to decarbonise their supply chain and achieve their sustainability targets. The platform enables targeted supplier engagement, empowering suppliers regardless of their maturity to measure, track and reduce their emissions. Through this partnership, we will increase the number of suppliers aligned with the SBTi and on a clear path to decarbonisation.

Mauro Cozzi
Co-Founder & CEO, Emitwise

ecovadis
Business Sustainability Ratings

Our company's purpose is to guide all companies toward a sustainable world and act as a North Star to ensure our approach is delivering a positive impact for our planet and society. We're pleased that since 2022, Serco has been working closely with EcoVadis to enable, support and empower their business partners and supply chain on their sustainable journey.

Richard Eyram
Chief Customer Officer, EcoVadis

Serco Sustainable Procurement Charter
Our Sustainable Procurement Charter, launched in 2021, continues to set out the ESG commitments and standards we expect of our supply chain. This includes encouraging the setting of Net Zero targets and commitments. In 2025, we will look to see how our Sustainable Procurement Charter can be better leveraged to support our wider Sustainable Procurement Programme.

Impact report continued

Supporting nature and biodiversity

We recognise that our environmental sustainability strategy must reach beyond emissions reduction, taking account of our impact on biodiversity and the natural environment. The planetary crisis we face is multi-faceted, and achieving Net Zero is not possible without efforts to support the natural environment and the ecosystems underpinning it.

Assessing our nature risks, impacts and dependencies

In anticipation of reporting against the Taskforce on Nature-Related Financial Disclosure (TNFD) framework in future years, we have initiated work to better understand our impacts and dependencies on the natural environment. In 2024, we joined the Green Finance Institute's UK Food, Retail & Hospitality TNFD Working Group, gaining insights on leading practice employed by other organisations. We have undertaken preliminary analysis in the UK, using TNFD-recommended tools to develop high-level heatmaps indicating our most material operational nature and biodiversity impacts and dependencies, risks and opportunities. Going forward, we intend to scale our approach across other regions while continuing to monitor emerging best practice.

We also joined the TNFD Members Forum, an initiative supporting members to develop a robust approach to mitigating and managing nature impacts and dependencies, risks and opportunities on the journey to Net Zero.

TNFD Forum Member

Supporting our customers to deliver a positive impact on nature

Some of the services we deliver for government customers help to facilitate critical nature and biodiversity scientific monitoring and protection. For example, our European Space business continues to support Earth Observation and won a contract in 2024 to support the operations of the 'Biomass' mission designed to deliver crucial information about our forests and their role in the carbon cycle. Our support to the Australian Antarctic Program through the operation of the research and supply vessel, RSV Nuyina, facilitates climate and biodiversity studies, such as the 2024 voyage to monitor seabird colonies and investigate avian influenza in marine life populations. Across the United States, our Environmental and Life Sciences business works to ensure the US Environmental Protection Agency has the critical intelligence it needs to protect human health and the environment.

Partnering to support nature recovery

In 2024, we partnered with the Hampshire and Isle of Wight Wildlife Trust, focused on supporting nature recovery and restoration, close to our Head Office in Hook, Hampshire. The UK is one of the most nature-depleted countries in the world; and through our membership we support the Trust's ambition to protect the natural environment and help it to thrive.

Impact report continued

Serco's Climate Transition Plan

Our approach to transition planning aligns with the framework set out in the Transition Plan Taskforce (TPT) guidance, designed to help organisations set out a credible and robust Climate Transition Plan (CTP), consisting of three principles and five disclosure elements.

In 2025, we intend to further mature our CTP, supported by external partners and strategic engagement with relevant internal and external stakeholders.

Ambition

Foundation: Our purpose is to impact a better future, supporting our customers to address some of the most urgent and complex challenges they have. This includes climate change. As an organisation, we are committed to reaching Net Zero by 2050, and supporting our customers to do the same. Our SBTi-validated targets demonstrate our commitment to decarbonise in line with a credible, science-aligned trajectory, and we continue to develop our approach to nature and biodiversity to support a Net Zero and Nature Positive future.

Action

Implementation: We continue to develop our approach to decarbonising by scope, focusing on critical areas including the transition to lower-emission vehicles, decarbonising the built environment, transitioning to renewable electricity, and decarbonising our supply chain.

We remain focused on embedding sustainable solutions across our operations, both where we have direct financial control, and where we are supporting customers to decarbonise their own financially controlled assets. We continue to refine the measurement of our supply chain emissions, which will support us to understand our most material, supplier emission focus areas. Our plan is to strengthen our Sustainable Procurement Programme in the round, in line with our new supplier-related Science Based Target (SBT).

Engagement: To achieve our Net Zero goal, increased engagement and collaboration is essential. This includes with external partners, industry groups, government customers, investors, environmental organisations and wider stakeholders. This engagement and collaboration is a core part of our CTP.

Accountability

Metrics and targets: Our SBTi-validated targets are the primary metrics and targets which form the basis of our CTP. However, we are working to develop additional targets and approaches on items such as waste, water, and nature and biodiversity, and recognise that additional metrics, targets and approaches are required to align more fully with the TPT disclosure framework.

Governance: We have an established approach to climate governance, which includes a named Executive who provides leadership of our agenda, and Board Committee oversight of our strategy and progress. Environmental decarbonisation is also included within our Executive remuneration scorecard. Improving environmental sustainability-related knowledge and skills is a focus for us in 2025, with bespoke Executive and Board training planned.

Highlights from our Net Zero journey

2003
- We published our first Corporate Responsibility Report.

2010
- Submitted our first CDP climate change disclosure.

2011
- Received the Carbon Trust Standard in the UK, reflecting our effort to reduce emissions.

2013
- Began reporting our carbon footprint globally for the first time.

2020
- Engaged with Action Sustainability to help embed sustainability into our procurement processes.

2021
- Launched our Sustainable Procurement Charter to improve our review of ESG risks and opportunities within our supply chain.
- UK Carbon Reduction plan introduced.

2022
- We committed to achieving Net Zero by 2050.
- We partnered with EcoVadis to introduce Supplier Sustainability ratings.
- North America Sustainable Real Estate Strategy.

2024
- Undertook an initial materiality assessment of our nature-related risks, impacts and dependencies.
- Launch of +impact, our global ESG advisory business.
- Purchased 100% of global electricity from renewable sources.
- Received validation of our Science-Based Net Zero Targets, by the Science-Based Targets initiative (SBTi).

Governance

We are committed to being a responsible business and upholding high standards of governance across all areas of our business.

The opportunity to fulfil our purpose, and be partner of choice to governments globally, depends on strong governance that enables ethical and effective decision making.

In the last 10 years, we have taken significant steps to reform our governance platform, implementing new strategies, structures and systems, which underpin strong delivery. We will continue to evolve and develop our approach to ensure it supports delivery of our purpose and values moving forward.

2024 highlights

0	Data protection breaches
0	Substantiated modern slavery Speak Up cases in the last five years
74/100	In the Viewpoint survey, employees felt they could report unethical conduct without fear of retaliation

ESG governance and risk management

We remain committed to robust governance of our ESG agenda and continue to be thoughtful about its importance in the face of a fast-evolving external environment.

This year, we welcomed a new Group Sustainability and ESG Director, who will lead our Sustainability and ESG efforts across the Group. We reviewed and strengthened our ESG Oversight Group, which the new Director chairs, comprising stakeholders from across the business in every region, providing management oversight and ownership of ESG across the business. There is a separate Environment Oversight Group, which provides strategic management of our Climate Transition Plan, linked to our Net Zero goal. Board oversight of ESG is managed through the Corporate Responsibility Committee (CRC). See page 95 for our 2024 CRC Report. Our Group General Counsel, a member of the Group Executive Committee, provides Executive oversight of our ESG agenda.

We work in sensitive areas of government policy delivery, balancing diverse interests across complex stakeholder ecosystems. Business decisions – including where we operate, what we do and who we serve – are governed through our Business Lifecycle Review Process. This includes consideration of legal, ethical and human rights risks, and health, safety and environmental risks and opportunities.

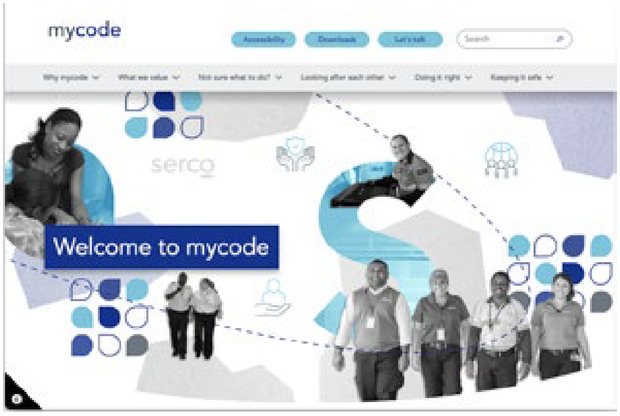
Our enterprise risk management approach plays a key role in how we identify, understand and manage our most material ESG risks, monitoring a spectrum of present and emerging risks, informed by a wide range of ESG factors. We do not include ESG or climate change as a standalone principal risk; however, they were considered as an emerging risk in our 2024 annual risk review. The detail of how we manage climate-specific risks can be found in our TCFD Statement, on page 56, and additional detail on how we manage ESG risk overall can be found on page 64.

The Serco Management System (SMS)

The SMS is a continuously evolving global management framework encompassing how we operate and behave in line with applicable laws, regulations and customs in all locations worldwide. Biannual statements of divisional compliance and annual contract self-assessments provide base assurance of SMS compliance. In 2024, we completed our SMS refresh, to support simplification and streamlining, and launched a new AI-based 'AskSMS' service enabling colleagues to find what they need more quickly.

mycode

Our Code of Conduct, mycode, defines what Serco expects of its businesses and colleagues regardless of location or background. mycode is based on our Values and not only outlines the rules and procedures to follow, but what colleagues should expect of one another. It covers looking after each other, doing business the right way, keeping safe, making difficult decisions and speaking up. Our subject matter experts regularly review mycode. In 2024, we added introductory videos and new content on AI technologies. Our Supplier Code of Conduct, which details our expectations of suppliers, was also reviewed and updated.



Scan the QR code to access www.serco.com/mycode

Essentials

Serco Essentials is our mandatory, all-employee training programme. Core modules are refreshed periodically and include Living our Code, safety, prevention of financial crime, data protection and information security. Colleagues are required to complete certain modules on joining Serco and there is an ongoing annual programme of modules, differentiated for managers and non-managers.

Ethics and compliance

A better future can only be achieved on a firm foundation of integrity and fair, ethical behaviour. We strive to hold firm to our Values and act with integrity in all that we do. Our Principal Group Risk, 'Failure to Act with Integrity' underpins the importance of ethics and compliance (E&C) at Serco.

Our E&C programme

Our E&C programme continues to be a fundamental part of our organisation – educating, engaging and empowering colleagues globally to do the right thing. The programme is structured around leadership and oversight, risk assessment and mycode, together with other standards and procedures, due diligence, Speak Up and investigations, training, engagement, monitoring and assurance. Its scope includes anti-bribery and corruption, other financial crimes, competition law, trade sanctions and export control, human rights and prevention of modern slavery, and whistleblowing. We also maintain a global network of E&C Champions who help embed the programme locally and inform its further development.

Alongside annual implementation of the ongoing programme, we drive specific projects to strengthen it. In 2024, we continued to implement the recommendations from our participation in the Transparency International UK Corporate Anti-Corruption Benchmark, participated in the Institute of Business Ethics Health Check and Benchmark, worked with Slave-Free Alliance, developed new Financial Crime training for 2025, and formed a Group Fraud Risk Governance Forum to support continued preparation for the new UK 'failure to prevent fraud' offence.

Under leadership from our new Group Head of E&C, projects in 2025 will align to a new strategy structured around three pillars: Efficiency, Engagement and Effectiveness.

Speak Up

We foster a culture of speaking up, prohibiting retaliation towards anyone who reports a concern or aids an investigation. We maintain multiple channels for speaking up, including our confidential reporting service, Speak Up, hosted by an independent third party; reports can be raised anonymously. We encourage colleagues, partners and the public to report any suspected breach of mycode, our Values or applicable laws. Issues raised are dealt with promptly and appropriate action taken, including thorough internal investigation where appropriate. In 2024, we ran a campaign to raise awareness of and confidence in Speak Up. We also worked to strengthen our root cause analysis and use of data analytics to drive future improvements.

Third-party due diligence

We undertake proportionate risk-based due diligence on suppliers, agents, strategic partners and customers. We recently migrated to a new screening partner to strengthen our due diligence in certain areas, including human rights and modern slavery; and improve ongoing monitoring.

Human rights and modern slavery

We have zero tolerance to pursue activity that breaks any law relating to human rights and we believe that we can contribute positively to upholding human rights through the services we deliver, which involves thousands of people every day. We strive to respect and protect the dignity and human rights of our colleagues and service users, addressing complex social challenges in the most appropriate, humane manner.

We take reasonable steps to identify, prevent or mitigate risks of adverse human rights impacts in our operations through our Business Lifecycle Review Process. We are conscious of the particular risks in our Immigration and Justice businesses, whereas other business lines have a lower risk profile for human rights concerns. Information about how we manage human rights across Serco and in our Immigration and Justice business can be found in the Human Rights Supplement on our website.

Modern slavery and human trafficking

Operational risks regarding modern slavery are managed and monitored throughout the business lifecycle in line with our Enterprise Risk Management methodology.

We recognise modern slavery risk in our extended supply chain and take a risk-based approach to managing it, focusing on mitigation in those purchase categories that have been assessed as high risk. This is supported by E&C risk profiles we create for current and prospective suppliers, based on assessment against key risk indicators, informed by our third-party risk management solution.

In 2024, we continued our partnership with Slave-Free Alliance, working with them to develop specialised training for specific business units and procurement colleagues, while also engaging their support for enhancing our modern slavery due diligence.

We remained active members of the UK Business Services Association Modern Slavery Council and helped develop their second toolkit, published in December 2024, to help organisations raise awareness within their workforce, and to empower frontline workers to be able to identify modern slavery and labour exploitation.

More information about how we manage modern slavery risks across Serco and in our supply chain can be found in the Modern Slavery and Human Trafficking Statement on our website.

Data protection and information security

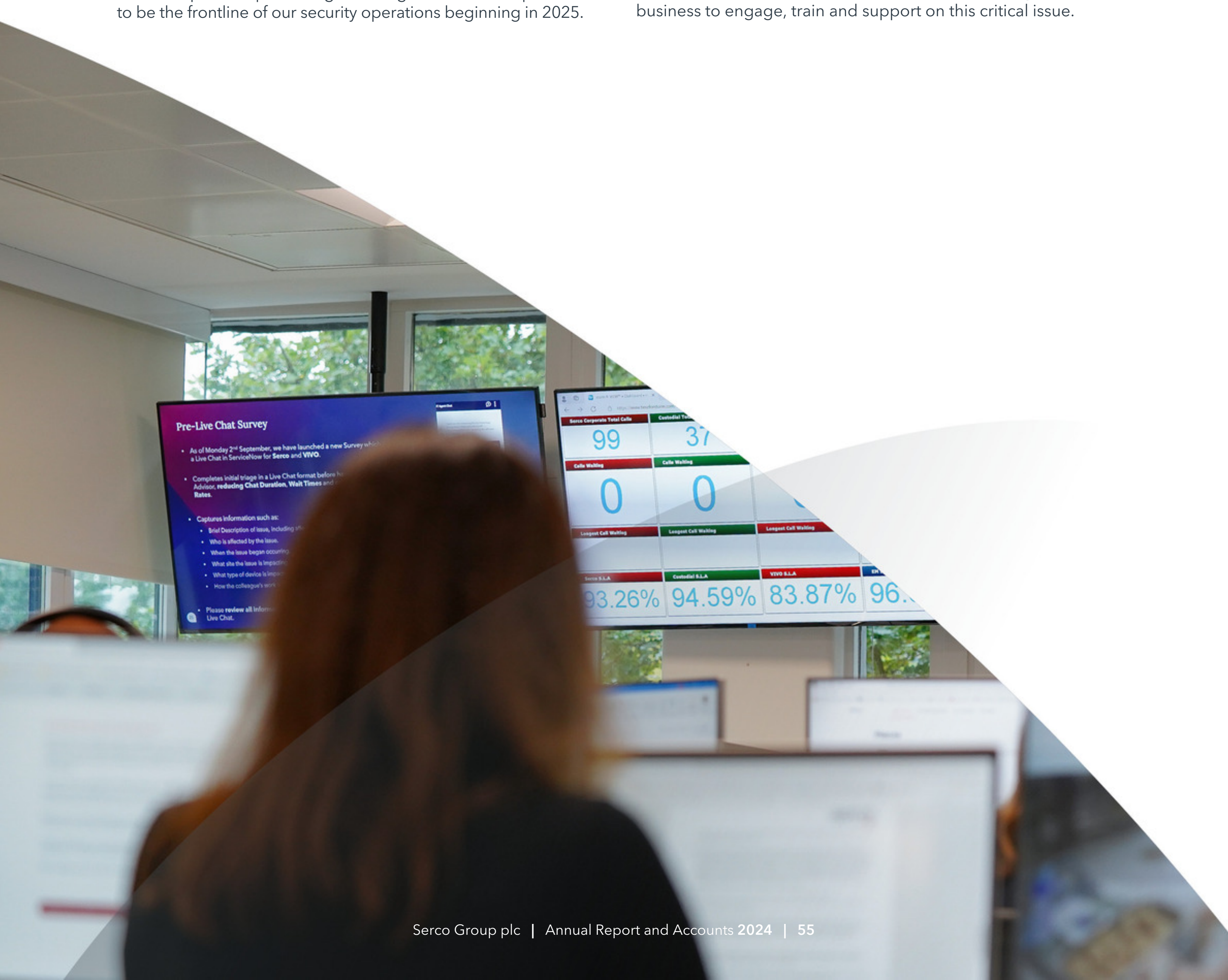
We are committed to delivering secure services and protecting the data we collect, store and process. The Group regularly reviews its mitigating controls to seek to avoid a breach and our approach is based on industry practice and international standards. Recognising the complex nature of our business and evolving threats, we continue to invest and make improvements to our underlying processes, alongside regular security awareness training, phishing simulations and crisis management exercises.

Our data protection and information security programmes

We maintain an ongoing programme of information security investment to address our evolving threat landscape and drive compliance with customer, legal and regulatory standards and contract requirements. In 2024, we completed global deployment of our new Microsoft Defender Extended Detection and Response (EDR) Security Tooling and engaged a global Microsoft partner specialising in managed EDR service provision to be the frontline of our security operations beginning in 2025.

Underpinned by a risk-based framework, our Data Protection Programme seeks to ensure that we maintain robust data policies and remain compliant, whilst maturing capabilities in line with best practice, evolving business objectives and evolving laws and regulations. In 2024, this included significant focus on international data transfer, data retention, and the rights of the data subject.

Colleague training and awareness remains a key mitigant. Training is regularly refreshed, together with wider awareness campaigns and testing, including our annual schedule of global phishing simulations and a 'Protect Together' security awareness campaign in 2024. Supplementary Data Protection training has been delivered to Bid teams and on legal changes in Saudi Arabia and the UK. Our international network of over 250 embedded Data Protection Champions, which is well-established in the UK, Europe and Middle East - and now also launched in North America - have continued working with our business to engage, train and support on this critical issue.



Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement

Our 2024 Task Force on Climate-Related Financial Disclosures (TCFD) statement is fully consistent with the eleven recommended disclosures against the four pillars of the TCFD Framework. We have considered the 'Guidance for all sectors' as set out in section C of 'Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures', October 2021. The table below outlines the location of disclosures within our 2024 Annual Report and Accounts. Our standalone TCFD Report is available on the Impact section of our website.

TCFD summary

Pillar	Recommended disclosures	Annual Report and Accounts	Standalone compliance statement
Governance	(a) Describe the Board's oversight of climate-related risks and opportunities.	Pages 56 to 57 Corporate Governance section pages 77 to 86 Corporate Responsibility Committee Report pages 95 to 96	Pages 3 to 8
	(b) Describe Management's role in assessing and managing climate-related risks and opportunities.	Pages 56 to 57 Corporate Governance section pages 77 to 86 Corporate Responsibility Committee Report pages 95 to 96	Pages 3 to 8
Strategy	(a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Pages 57 to 60	Pages 9 to 17
	(b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Pages 57 to 60 Critical accounting judgements climate risk page 154	Pages 10 to 17
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 57 to 60 Critical accounting judgements climate risk page 154	Page 10
Risk management	(a) Describe the organisation's processes for identifying and assessing climate-related risks.	Pages 57 to 58 Risk management section pages 62 to 64	Pages 8 to 11
	(b) Describe the organisation's processes for managing climate-related risks.	Pages 57 to 60 Risk management section pages and 62 to 64	Pages 4 to 17
	(c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Pages 57 to 60 Risk management section pages 62 to 64	Pages 8 to 11
Metrics and targets	(a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Our Impact Planet section pages 45 to 51 Our Impact performance data: Planet section pages 218 to 219	Pages 19 to 20
	(b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Our Impact performance data: Planet section pages 218 to 219	Pages 19 to 22
	(c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our Impact Planet section pages 45 to 51	Pages 19 to 22

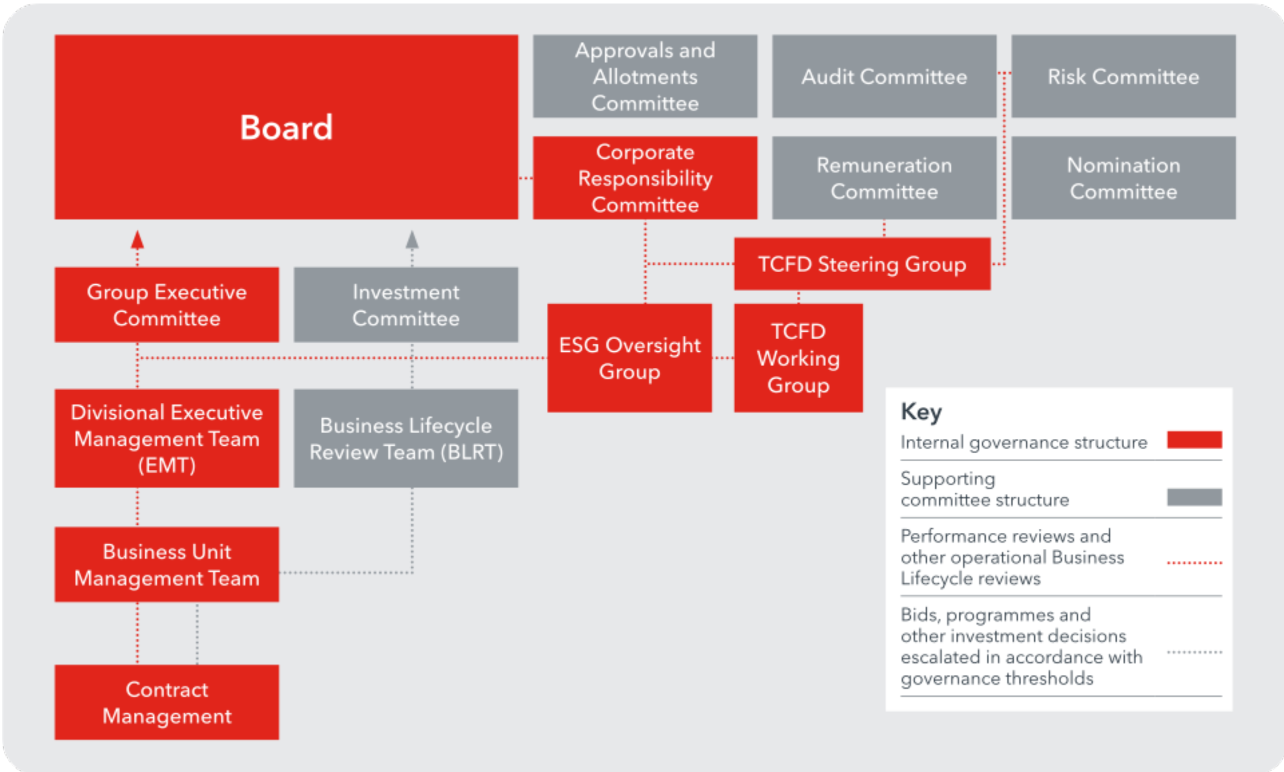
Governance

Responsibility for climate risk and opportunity is embedded within our Corporate Governance structure, primarily through the Corporate Responsibility Committee (CRC). The CRC provides oversight of TCFD activities, including our Climate Transition Strategy, linked to the delivery of our Net Zero-related targets and transition plans.

We have assigned specific roles and responsibilities for assessing and managing climate-related risks and opportunities by Committee, Group and wider management function. Further details are available in our standalone TCFD report which has been prepared to include further information on our TCFD approach that is not outlined in this Annual Report and Accounts.

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement continued

Climate Governance at Serco



Risk

We recognise that the climate crisis continues to pose significant risks to society and the planet. The ways in which climate change impacts our own and our customers' assets, supply chains, and operations are diverse. We do not currently consider climate risk as a standalone principal risk, instead we consider it within several of our principal risks. Our business model dictates that the majority of our work takes place on client sites and assets, and therefore we do not always have financial control from a carbon accounting perspective, legal or contractual responsibility to upgrade assets to support decarbonisation. Our contracts are, on average, around five years in length, and as a consequence we do not hold long-term, high-value assets that could be adversely affected by climate risks.

Risk and opportunity timeframes

Risk/Opportunity term	Timeframe (years)	Reason for timeframe selection
Short	0 - 3	As per our principal risks and viability statement
Medium	3 - 5	As per medium term contracts
Long	5 - 30	As per longer-term contracts and our/customer Net Zero targets

To determine which climate-related risks and opportunities are most material for us, we annually consult a group of core stakeholders from across the business, who judge a long list of potential risks and opportunities and score using our Climate Risk Scoring Matrix. These include physical risks from extreme weather, changes in long-term weather patterns, and transition risks from a policy, legal, technology, market and reputation perspective. Transition opportunities are scored from a resource efficiency, energy source, products and services and market opportunity perspective. This provides a judgement based on relevant scenarios, and a scoring of risks as minor, moderate, major or severe, and opportunities as minor, moderate, major or significant. You can find more detail on the result of the 2024 annual review on page 9 of our standalone TCFD report on the Impact section of our website. We continue to assess and prepare for region-specific climate risk disclosure requirements, which may require climate risks and opportunities to be evaluated at an entity or country level.

Climate change resilience

Focusing on the growing B2G market within our existing geographic footprint and five sectors remains the key to sustainable long-term growth. We continue to address some of the most urgent and complex challenges facing the modern world, which includes supporting our customers on decarbonisation through operational excellence and helping address wider environmental crises such as nature loss where practicable. We will continue to provide services that support government-led policies and mostly we will operate on customer assets in the locations where the services are required, supporting and aligning with customer-led Net Zero policies, supply chain and climate resilience approaches. As a Group, the current level of geographic and market diversity of our operations helps to support our overall resilience to climate change in the short to medium term and presents us with the opportunity to shift our focus should climate risk exposures escalate to material levels in any given market, sector, or geography.

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement continued

We are also an asset-light organisation, we do not expect to have issues around redeploying and repurposing existing assets. For example, the net book value of our owned land and buildings is £4.3m at 31 December 2024. For the majority of our contracts, we lease assets in line with the contract terms and the average length of our contracts is five years. Our critical accounting judgement on climate risk on page 154 sets out more detail on how climate impact has been considered within the financial statements. It does not yet identify significant risks linked to climate change that might negatively and materially affect the Group over the short or medium term.

Transition risk

The transition risk judged to be the most severe to Serco is that of carbon pricing. The impact of both direct and indirect carbon pricing is uncertain and, therefore, remains an area of focus. In 2024, we engaged Emitwise (see page 49) to gain improved measurement of supply chain emissions. Further engagement with our suppliers on decarbonisation will help to build resilience and decipher the potential impact of future carbon pricing risks.

Physical risk

Extreme weather events are anticipated to increase, as shown by the established climate scenarios in the table below. We will continue to develop a greater understanding of these physical risks, as well as long-term chronic physical risks such as sustained higher temperatures in our operating geographies. We have experienced limited impact to date on operations and insurance claims relating to extreme weather events. However, this could change, and may require increased engagement with customers on climate adaption and resilience.

Transition opportunities

We recognise that we must continue to support customer requirements and challenges where we have influence, bringing focus and innovation through our service provision and supply chain. In 2024, our acquisition of Climatize, part of +impact (see page 47), signals our intent to expand sustainable services, building upon our established services, such as in the recycling and low-carbon transport sectors.

Metrics and targets

We report a range of environmental metrics and KPIs against our Planet theme. Metrics to assess climate-related risks and opportunities, associated targets and key performance indicators are outlined in our Impact table on pages 218 and 219.

Strategy

We have set a goal to reach Net Zero by 2050. This goal is supported by newly validated Science-Based Targets (SBTs), by the SBTi. Serco defines Net Zero as per the SBTi Corporate Net Zero Standard:

Companies shall set one or more targets to reach a state of net-zero emissions, which involves: (a) reducing scope 1, 2 and 3 emissions to zero or a residual level consistent with reaching net-zero emissions at the global or sector level in eligible 1.5°C scenarios or sector pathways and (b) neutralizing any residual emissions at the net-zero target date – and any GHG emissions released into the atmosphere thereafter.

Our new SBTs provide a clearly defined focus to reduce emissions in line with the 2015 Paris Agreement. Our Climate Transition Plan, which aligns with the Transition Plan Taskforce Framework, is on page 51, however, we are working with a third-party in 2025 to update our Climate Transition Plan in line with our new SBTs. We are actively exploring the creation of a new nature and biodiversity approach, which aligns with our Net Zero goal. As part of this we continue to review investment opportunities which support nature restoration, while also supporting carbon removals to neutralise any unavoidable emissions[1] across Scopes 1-3, helping to meet our long-term targets. We have used an internal shadow carbon price range of between £20-£25 per tCO_2e.

Climate scenarios

Our risks and opportunities draw upon some of the most recently updated and recognised climate scenarios and models, consistent with 2˚C and lower, with a focus on 2030 and beyond.

Warming trajectory by 2100	Transition scenarios	Physical scenarios
1.5˚C	**International Energy Agency (IEA) Net Zero Emissions (NZE)** This scenario assumes a rapid transition to Net Zero as available technologies deployed quickly and governments cooperate.	Not considered by models.
2-3˚C	**IEA Announced Pledges Scenario (APS)** This scenario considers current government Net Zero pledges (up to end August 2024) but are more conservative, assuming that not all will be met.	**Intergovernmental Panel on Climate Change (IPCC) SSP 2-4.5.** This scenario assumes medium challenges to mitigation and adaptation. Institutions make slow progress in achieving sustainable development goals and environmental systems continue to experience degradation. Shift to sustainable lifestyles slow.
4˚C	Not considered by models.	**IPCC SSP 5-8.5.** This scenario places greater emphasis on competitive markets, innovation and participatory societies to produce rapid technological progress toward sustainable development. Globalisation and the exploitation of fossil fuels continue.

1. After reducing emissions by at least 90% to meet long-term science-based targets, companies are required to neutralise unabated emissions.

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement continued

Risks and opportunities

Severe risk	Time horizon	Description, scenarios, assumptions	£ impact
Transitional risk: Policy and legal (including reporting and carbon pricing)	Short	**Direct costs:** • Cost attached to meeting increasing regulatory compliance requirements on climate and wider ESG reporting.	Low
	Short - Long	**Indirect costs (Scope 3)** • We have considered a range of costs based on the impact of current and forecast carbon pricing mechanisms which affect our supply chain and are indirectly passed down to Serco and customers. • The minimum range is based on 2024 supply chain costs and PwC's 'hidden cost of carbon' tool. Current carbon cost is estimated using World Bank carbon pricing and a PwC model (which uses data from 2014). • The maximum range is based on 2024 supply chain costs and PwC's 'hidden cost of carbon' tool and 2030 carbon prices implied by the Net Zero Emissions scenario. • The EU and UK carbon border adjustment mechanisms (CBAM) will introduce tariffs over the coming years on carbon intensive products which are imported and filter down supply chains, impacting our UK&E division. • It is unclear to what extent global carbon pricing mechanism costs will materialise or be transparent, however, these costs are not expected to be fully funded by the Group as some would pass through to our customers through indexation mechanisms, pricing of new contracts or legislative changes.	Low Low Low
	Long	**Direct costs (Scope 1-3):** • There are a range of costs related to us meeting our Scope 1and 2 SBTs. These range from investments in decarbonising our fleet, the built environment where we have direct financial control from a carbon accounting perspective, and the switch to renewable energy. • The minimum range assumes our Scope 1 and 2 emissions remain stable and our 46% operational emissions reduction target is met. In that scenario we are exposed to costs using the Announced Pledges Scenario carbon cost of £108 per tonne by 2030. • The maximum range assumes 20% growth in Scope 1 and 2 carbon emissions through additional contract wins, with only 25% of our 46% operational emissions reduction target being met. In that scenario we are exposed to costs using the Net Zero Emissions scenario carbon cost of £112 per tonne by 2030. • 2030 Net Zero transition costs for Scopes 1-3 relate to: – Climate-focused teams across the Group – External consultancy support – Renewable electricity procurement – Fleet transition – Decarbonising buildings – Carbon accounting system upgrades – Supply chain engagement programme – Nature-based solutions investment • The majority is built into existing budgets and our five-year plan, which underpins any impairment assessment for the elements within our control. External consultancy support will further inform any budgetary requirements not yet accounted for. • Managing decarbonisation through our contracts is dependent on our accountability and contractual requirements. We do not expect to fund material changes to customer/landlord owned infrastructure or assets. • In some contracts, we are dependent on our customers investing in Net Zero infrastructure and assets.	Low Low Low
Transitional risk: Reputation	Short - Long	• There are a range of costs dependent on our level of success in meeting potentially increasing stakeholder expectations related to the Net Zero transition. • The minimum range assumes that through our Climate Transition Plan, we do not suffer any material reputational damage or significant contract losses, and key customers and suppliers support Net Zero by investing in decarbonisation efforts. • The maximum range assumes that we fail to meet potentially increasing stakeholder expectations and our Net Zero targets, and key customers and suppliers do not support Net Zero by investing in decarbonisation.	Low Low

Risk / opportunity financial impact key: Reduction / increase in underlying operating profit

	Low	Medium	High
Risk / opportunity £m	< 10	10 - 20	> 20

Task Force on Climate-related Financial Disclosures (TCFD) Compliance Statement continued

Severe risk	Time horizon	Description, scenarios, assumptions	£ impact
Physical risk: Extreme weather	Long	• We previously engaged a climate analytics consultancy to model flood and wind impacts causing building and contents damage and causing downtime across 52 sites using standard climate models for 2030 and 2050. The 52 sites were chosen based on criteria agreed with some investors, including the risk of extreme weather (now and future), longer term contracts, higher revenue contracts, secure facilities with vulnerable people in our care, and a mix of Serco leased/client sites from across the geographies and sectors in which we operate. • The output highlighted a collective, substantive level of financial risk for both the <2 degrees scenario and >4 degrees scenario. • We have deemed these amounts not to be decision useful for disclosure for the following reasons: – Serco operates a contract-based model and therefore we may no longer be operating at the sites with the potential to be severely impacted by climate change in 2030. As a result, long-term modelling is less decision-useful for Serco specifically. – Modelled costs suggest that impacts would occur uniformly across all locations at the same time and crucially do not take account of mitigation measures such as business continuity planning or flood defence infrastructure which would significantly reduce modelled numbers. – Buildings, contents, and business interruption insurance would be in place to cover many of the costs incurred. We have had limited insurance costs related to physical risks on sites insured by Serco, noting the majority of our operating sites are insured by customers or landlords. Insurance costs relating to our insured sites have not yet experienced any material uplifts as a consequence of physical risk. – Given the critical nature of most of the Group's services, should business interruption risks be prohibitively high, we would expect our customer to consider the location of the site and where services are provided. • We will continue to explore climate risk analytics support from external advisers and the best approach to integrating existing mitigation measures into modelled costs to disclose decision useful financial impacts at appropriate operating locations. • On customer sites where we hold facilities management responsibilities, we will continue to support customers on climate adaption measures to address physical risks posed by extreme weather.	Not disclosed

Significant Opportunity	Time horizon	Description, scenarios, assumptions	£ impact
Net Zero and sustainability enabling services	Long	• A range of underlying operating profit increase has been calculated based on the level of success in expanding and growing sustainable services likely to be recognised by the EU and anticipated UK green taxonomies. • The minimum range assumes an increase in underlying operating profit by 2030 based on modest growth and meeting projected green taxonomy criteria (which will be externally assured in future). • The maximum range assumes an increase in underlying operating profit by 2030 based on targeted growth and meeting green taxonomy criteria.	Low Low

Non-Financial and Sustainability Information Statement

We have complied with the requirements of sections 414CA and 414CB of the Companies Act (as amended by the Companies (Strategic Report) (Climate-related Financial Disclosures) Regulations 2022) through the information in the table below and other disclosures throughout the Strategic Report.

Non-financial information	Principal locations in this Annual Report	Page(s)
Climate change and sustainability **Environmental matters**	Our Impact – Planet	45-51
	Our Impact performance data: Planet	45, 218-219
	TCFD compliance statement	56-60
	Principal risks and uncertainties	65-71
	Governance (S414C2A) a	56, 57, 77, 95
	Risks and impacts (S414C2A) b-f	62, 56-60,154
	Targets and KPIs (S414C2A) g-h	45-49, 219
Colleagues	Our Impact – People	36-41
	Our Impact performance data: People	37-41, 214
	Principal risks and uncertainties	69-71
	People and culture	30-32
Anti-corruption and anti-bribery **Human rights** **(including slavery and human trafficking)**	Our Impact – Governance	53-55
	Our Impact performance data: Governance	53-55, 220
	Principal risks and uncertainties	69
Social matters **See also: content relating to Colleagues, above.**	Our Impact – Place	42-44
	Our Impact performance data: Place	42-44, 217
Strategy	Our Strategy	24-27
Market	Our Markets	22-23
Non-financial principal risks	Principal risks and uncertainties	67-71
Non-financial key performance indicators	Key Performance Indicators	28-29
Corporate Governance	Directors' Report	76-123

All Serco Group Policies are available on our website; this includes policies relating to the Environment, People, Health, Safety and Wellbeing, Business Conduct and Ethics, Human Rights, and Data Privacy.

Managing risk

Proactive risk management underpins our strategy and business performance and remains a key focus of our Board. It helps shape our business decisions throughout all levels of the organisation to help drive the right outcomes for our customers, service users, colleagues and wider stakeholder groups.

Risk management process

The Board oversees the Group's risk management and internal control processes within an Enterprise Risk Management (ERM) framework, discharging its oversight responsibilities through the Risk Committee, supported by the Corporate Responsibility Committee (CRC), Audit Committee and the Group Executive Committee (ExCo). The Serco Inc. Audit Committee and our Divisional Leadership teams also play a critical part in our risk management process. The Board has monitored and reviewed the effectiveness of risk management and internal control systems through these Committees and the ERM process. Risk management operates in all levels of the business with a mandated 'bottom up/top down' approach with formal quarterly reporting updates, as shown in the table opposite. The ERM framework is facilitated by the Group ERM team and supported by Divisional based colleagues.

The management of our key controls forms a critical part of our ERM framework. Group and Divisional Compliance Assurance teams operate as a second line function to ensure appropriate focus on the articulation, monitoring and testing of key controls, supported by documented policies and procedures held within our Serco Management System (SMS). An annual program of work focuses on the validation and testing of key controls to supplement annual control self-assessments and biannual compliance assurance attestation statements. Some larger contracts and business units (BU) also have embedded risk and assurance resources to strengthen our first line focus on controls design and operation. This first and second line activity is augmented by our in-house Internal Audit assurance work and additional external partners support in certain specialist areas. Significant third line assurance activities and audits are also delivered through external third parties to support certification standards and customer requirements in our varied service lines and business units. These include those that support ISO certifications we manage as well as independent performance and regulatory reports on Serco operations. Examples of such reviews include Aviation Air Traffic Services, Vessel reviews, Fleet Operating Licence and related inspections. A key element of our control environment in our North America Division is compliance with the Special Security Agreement, we have with the US Government which is managed by dedicated resources and oversight delivered by the Serco Inc. Audit Committee.

Risk management lifecycle process

Corporate risk reporting tool

1. Risk Planning	2. Risk Indentification
Key risk activities	
• Assigning responsibility and ownership for risk management implementation and management oversight • Risk Committee setting and reviewing Risk Appetite Statements and Risk Tolerance for Principal Risks on, at least, an annual basis • Setting a target risk position to determine objective for mitigating actions • Agreeing Executive Risk sponsors and dedicated subject matter expert to support risk updates and challenge • Divisional, BU, Contract and Functional teams annual planning • Risk and Audit Committee oversight of our internal programme to prepare for changes under the UK Corporate Governance Code and our Integrated Assurance Framework (IAF) including planning of our approach for attestation declaration itself and associated materiality definition	• Identifying risks associated with the achievement of our business objectives including risks from external factors inherently associated with the environment in which we operate, and internal risks arising from the nature of our business • Bottom-up risk identification from functions and contracts upwards including operational, financial, compliance and strategic risks • Updating risk registers with causes and consequences • Divisional, ExCo and Risk Committee identification of emerging risk areas considering internal and external themes and trends

Risk Management continued

Compliance assurance

Oversight and accounting

3. Risk Analysis	4. Risk Mitigation	5. Risk Monitoring	6. Risk Reporting
• Assessing the level of inherent and residual risk exposure based on a standardised assessment methodology of likelihood and impact, reflecting the effectiveness of current implemented controls in place to mitigate the risk • Bottom-up risk assessment from business functions and contracts upwards against a Group defined criteria, using the likelihood and impact of a risk manifesting on a worst-case credible scenario basis • Formal quarterly assessment of risks from within the Division, including any risks that have been escalated up from the contract, functions or BUs	• Identifying and implementing mitigations and control improvements that seek to reduce the material risks to the target risk position aligned to our risk appetite • Development and implementation of improvements following lessons learnt where we have encountered issues or when risks have materialised • Continued operation of mitigating controls	• Monitoring risk mitigation actions and their impact and monitoring changes to our business and the external environment, including emerging risk themes and operational issues • Formal quarterly update on the principal risks, their mitigations and outcomes from the Compliance Assurance teams testing activity reported to the Risk Committee, CRC, Audit Committee or Board • Board Committee oversight of Divisional risk deep dives and principal risk deep dives on a rotating schedule (typically annually). Independent review and challenge forms part of the role of the Group ERM teams and Committee members • Audit and Risk Committee Compliance Assurance testing programme oversight detailing testing of specific risk controls and mitigation progress	• Reporting the status of material risks and associated controls from contracts upwards through BUs and Divisions to seek assurance the business risks are being appropriately managed and reviewed • Reporting update of risk positions by the Chair of the Committees to the Board following each quarterly meeting • Reporting of any material risks that have occurred or significant control failures to ensure that lessons learnt are identified • Development of our approach to support future reporting requirements as part of the changes to the UK Corporate Governance Code

Risk Management continued

Emerging risks

We recognise our risk profile is not static as the business is exposed and responds to internal and external threats and uncertainties. As part of an annual review with the ExCo and the Risk Committee, we complete a robust assessment to identify and monitor emerging risks to ensure that adequate steps are being taken to understand and mitigate them and to assess any impact on our principal risks.

Examples of some of the current emerging risks trends being monitored include continued geopolitical disruption and political volatility including any associated ideology or significant policy changes.

Other risk areas

While not considered as emerging risks, we also reviewed our approach to ESG (including climate change). We continue not to include ESG or climate change as standalone principal risks but instead continue to consider these as part of the emerging risk review.

- **ESG:** We continue to recognise ESG risks across the business. As a solutions provider to governments globally, we deliver on a range of ESG commitments where we can contribute to delivering public impact and have recognised our corporate responsibilities for many years. Further detail on our approach to ESG can be found in our Impact Report.
- **Climate change:** We recognise that the climate and wider environmental emergencies present significant risks to society and the planet. As an impact partner operating across multiple sectors and geographies, the ways in which climate change may impact our own and our customers' assets (where we deliver most of our services), supply chains and operations are diverse. We generally operate in short to medium-term contract-driven sectors, therefore we do not generally hold long-term assets which can be as adversely affected by climate risks from a valuation perspective, which is a challenge faced by many other sectors.
- In considering our climate risks and opportunities we have treated short-term risks to be between 0-3 years which is in line with how we assess our principal risks and viability statement. Medium-term risks are between 3-5 years, in line with our medium-term contracts. Long-term risks are between 5-30 years, in line with some longer-term contracts, our Group Environment Strategy, the Net Zero transition plans and visions and commitments of the governments we serve. Our most severe risks and opportunities are identified using our Group standard risk assessment process and scoring matrix. Stakeholders reviewed our long list of climate risk and opportunities, taking into account relevant scenarios, and scored them as minor, moderate, major or severe or significant. Further detail on our approach to environmental reporting and the Task Force on Climate-related Financial Disclosures (TCFD) can be found on page 56 and our commitment to climate change as part of our ESG agenda on page 53.

Changes during the year

We continue to drive improvements in our ERM framework. A key focus throughout 2024 has been on the design and implementation of the Risk Management module of our new Governance, Risk and Compliance tool. This new module replaces legacy risk register systems to provide enhanced risk and controls functionality, transparency and reporting. The ERM module is now live across all Divisions and its capabilities are being rolled out across the Group including contract and function-based risk registers.

The implementation of the new tool is a key enabler for our work in preparation for the implementation of changes to the Code, which is progressing well. As outlined in last year's Annual Report, we implemented an Integrated Assurance Framework programme (IAF), a global project to review and enhance our risk and assurance framework. Using our existing ERM process to help define materiality for the Group, we have taken a risk-based approach to identifying and validating our key risks and controls in our most critical contracts globally, as well as those operating in Divisional and Group functions. Our review has also included management controls operating at Divisional and BU levels. Design effectiveness and operational effectiveness testing for these key controls is underway. We have also begun to develop our approach to the attestation declaration, which will be required in 2026.

Principal Risks and Uncertainties

Summary of principal risks and uncertainties

Our principal risks, detailed on pages 66 to 71 are those risks that we determine to be the most material when considered against our strategic ambition and that can materially affect the performance, prospects or reputation of the business. They have been reviewed using our ERM framework as outlined in previous pages.

For each risk we capture the inherent, residual and target position as assessed against a standard set of impact categories on a worst-case credible scenario basis. The likelihood of each risk occurring is then assessed, resulting in a final risk position that enables us to rank the risks from minor to severe. Every principal risk has an appetite statement to determine the nature and amount of risk the Group is willing to accept. This is shown against each risk on pages 66 to 71. This risk appetite position is set through discussion with the principal risk ExCo sponsor and ratified by the Risk Committee. The statements include one of four appetite categories - averse, cautious, moderate and flexible - that reflect the Board’s tolerance to each risk.

Each Principal Risk also shows the linkage to the relevant strategic business objectives and the link to the achievement of our KPIs as outlined on pages 28 and 29. Appropriate consideration and management of the principal risks have a link to key Executive remuneration as outlined in the Directors Remuneration Report on page 99. For each Principal Risk we have also included the residual risk trend observed in 2024.

Following the annual Principal Risk review with the ExCo and subsequent Risk Committee we have made the following changes:

- removal of Financial Control Failure and Failure to Attract, Recruit and Retain as principal risks. This reflects improvements in the control environment and the impact they are having on our risk indicators in each area. We will continue to monitor these risks at the Enterprise level and their controls will form part of our 2025 Compliance Assurance testing programme;
- addition of a new risk that recognises the operational disruption that could be caused if we were failed to adequately invest and improve our IT estate which may result in significant IT infrastructure failures and service disruptions;
- splitting out Contract Performance from the existing risk leaving Contract Non-Compliance and Misreporting as a standalone risk with the new Contract performance risk focusing on key controls from contract mobilisation, through contract stabilisation and ongoing delivery; and
- in splitting out contract performance we have also refocused the Failure to Grow risk on the early stages of our business lifecycle from pre-bid activity, through solution development and bid submission.

Principal risks are considered over the same three-year timeframe as the Viability Statement set out on page 72, which takes account of the principal risks in its assessment.

In addition to the principal risks and uncertainties already identified, there may be other risks, either unknown, or currently believed to be immaterial, which could evolve to be material. These risks, whether they materialise individually or simultaneously, could significantly affect the Group’s business and financial results.

Each of our principal risks supports one or more of the priority areas that drive strategic delivery, namely;

G Growth O Operational Excellence C Competitiveness

The trend indicator depicts the trend of our residual risk rating internally over the course of 2024

Increase Decrease No change New

Principal Risks and Uncertainties continued

STRATEGIC RISKS

Failure to grow profitably G C

Risk appetite: Cautious

Risk trend: ↑

This risk considers the potential impact of failure to win material bids or a lack of opportunities in our chosen markets, restricting revenue growth which may in turn have an adverse impact on Serco's profitability. Sustainable growth requires us to identify where and how to create opportunities for new work, whilst retaining and expanding our current portfolio of contracts. This includes having a deep understanding of our market and macro-economic environment, through to managing our pipeline, bidding, and converting opportunities into value generating work.

Risk context

In line with expectations, our revenues in 2024 reduced slightly as compared to 2023 due to changing terms on large rebids won the previous year, lost contracts and fluctuations in volumes on other contracts. Underlying operating profit, however, increased year-on-year by £24.8m, highlighting our more productive, resilient, and sustainable footing.

Long bidding cycles means we typically see the financial impact of a new contract in the following year to which it was won. With a strong pipeline £11.2bn we head into 2025 in a robust position.

Compared to 2023, the risk trend is increasing in part due to the loss of the Onshore Immigration contract in the Asia Pacific region. However, our large portfolio of long-term partnerships with customers should minimise our exposure to the loss of a single contract. In addition, our international and sector diversity means we should be able to balance these risks effectively in 2025.

Example mitigations

- Investment Committee and Business Lifecycle review team (BLRT) bid process and governance.
- Serco Group and Divisional Business Strategy reviewed annually with ExCo and Board.
- Monitoring of customer satisfaction or similar and using relationship management systems to determine trends.
- Monitoring of lead indicators, including KPIs such as bid submissions and oversight of acquisition activities, win rates and book to bid performance.
- Monthly monitoring of qualified and non-qualified pipeline at Group and Divisional level and additional reviews in bi-weekly Growth team meetings and Growth Forum.
- Monthly Divisional Performance Reviews include oversight of key growth metrics.
- Geographical and Industry diversification helps protect against concentration risk.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Ruth McGowan, Group Chief Strategy and Growth Officer

Principal Risks and Uncertainties continued

OPERATIONAL RISKS

Major information security breach
(including cyber attack and data protection)

O C

Risk appetite: Averse

Risk trend:

An information security breach, resulting in the loss or compromise of information (including personal or customer data) or wilful damage, is a key risk for us. A successful attack or significant control failure may result in regulatory fines, loss of customer or data subject confidence and follow-on civil claims. We operate an averse risk appetite to any major data breaches and cyber-attacks.

Risk context

Noting the increased sophistication of cyber-attacks, the residual risk trend remains stable, reflecting investment and implementation of strengthened IT device controls, and continued focus on execution of good practice.

The Group is reliant on the effectiveness of mitigating controls that seek to avoid a breach and our security approach is based on good industry practice, seeking to adhere to government and international security standards, such as the worldwide recognised National Institute of Standards and Technology (NIST) cyber security framework, along with customer accreditations appropriate to each region. We also rely on key third parties whose failure due to a cyber-attack could impact Serco's ability to deliver contract services or expose sensitive data due to a failure in the suppliers cyber and data controls.

Example mitigations

- Global Technology and Information Security Policy Boards to manage processes and exceptions.
- Divisional solution reviews overseeing implementation of new technology.
- Internal Security Standard including 23 minimum control areas being implemented across the Group.
- Contract and divisional aligned controls to meet customer specified security obligations.
- 24-hour Security Operations Centre monitoring alerts and incidents.
- Specialist information security and data privacy officers in all divisions supported by data protection and security awareness training.
- Risk based third-party material supplier cyber assessments.
- Crisis management and business continuity processes.
- Global Incident Response Retainer with specialist external partner.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Tom Read, Group Chief Technology and Digital Officer

Strategic technology

G O C

Risk appetite: Averse

Risk trend:

A fundamental technology capability gap is emerging that may threaten our market position and long-term growth ambitions. Without action to modernise our technology estate, automate our operation and build digital innovation capabilities we risk becoming structurally uncompetitive, leading to sustained market share erosion and shareholder value destruction. Our reliance on legacy systems and infrastructure poses risks of service disruption, margin erosion and reputational damage. We operate an averse risk appetite in relation to this risk, with an active programme of work to modernise and simplify our Infrastructure and to invest in emerging technologies.

Risk context

Artificial intelligence and automation are rapidly transforming our industry, creating unprecedented opportunities to streamline operations, reduce costs and enhance service delivery. Without significant investment in our technology estate we may face a widening competitive gap that could become insurmountable.

Our competitive position is threatened on three fronts:

- Our legacy systems limit our ability to innovate and compete for new business, particularly in key growth markets where digital capabilities are essential.
- Our manual processes result in higher operational costs compared to competitor's automated operations, forcing difficult choices between margins and market share.
- Our ageing technology infrastructure, burdened with technical debt, increases the risk of significant service disruptions that could halt operations.

Example mitigations

- Multi-year technology modernisation roadmap with dedicated investment plan and clear milestones.
- Legacy system replacement programme focused on highest risk platforms.
- Automation strategy and implementation programme to drive operational efficiency.
- Build new capability in emerging technologies like AI and data science.
- Invest in differentiating digital solutions for strategic global sectors.
- Strategic technology partnerships to accelerate modernisation.
- Regular assessment of emerging technology risks and opportunities.
- Technology skills development and recruitment strategy.
- Business continuity and resilience planning for critical systems.

Oversight by: Board, Risk Committee and ExCo

Executive sponsor: Tom Read, Group Chief Technology and Digital Officer

Principal Risks and Uncertainties continued

Contract non-compliance or misreporting G O

Risk appetite: Averse **Risk trend:**

Our broad and diverse business requires many thousands of customer contract key performance indicators (KPIs), legal and contractual obligations to be met daily by our frontline colleagues. There is a risk that we experience contract breaches caused by a failure to comply with these obligations and/or report compliance with these obligations accurately either through error or deliberate misreporting by a rogue employee. This could result in negative impact to our customers and public confidence in us, and consequently would impact our ability to bid and win further or future business.

Risk context

In delivering over 700 government contracts with differing terms and conditions through more than 50,000 employees, there is considerable scope for failure to comply with contractual obligations and/or report accurately.

Some of the key causes of this risk manifesting include unclear contract requirements, data availability and integrity issues, manual errors, poor bidding assumptions, IT system failures, and unclear roles and responsibilities. We also recognise the risk of deliberate misreporting due to pressure to deliver, inadequate supervision and inherited ways of working may be a unlikely cause of this risk.

Example mitigations

- Contract obligations procedure including maintenance of up to date copies of contract, contract variations and key regulatory requirements.
- Tracking the delivery of obligations on our Contract Management Application (CMA) for larger contracts and reporting in Divisional and Business Unit performance reviews.
- Procedures for measuring and reporting performance, agreeing KPI definitions with customer, training delivery teams on delivering and reporting processes.
- Ongoing tracking and reporting performance of contracts through monthly and annual performance reviews.
- Strong, meaningful and understood Values and required behaviours, which are defined in our Code of Conduct (mycode), supported by the right tone from leaders.
- Robust governance exercising oversight of Ethics and Compliance programmes including Non-Executive Directors only sessions at the CRC Committee.

Oversight by: Risk Committee and ExCo

Executive sponsor: Phil Malem, Middle East and +impact CEO

Contract performance G O

Risk appetite: Averse **Risk trend:**

Delivery of our diverse and varied portfolio of contracts is at the heart of our business. In managing such a complex range of contracts and programmes there is a risk that we fail to deliver contract efficiencies, effectively manage our costs and ensure that each contract meets their financial and internal performance targets whilst delivering to our customer expectations and committed to contract deliverables. We strive to exceed our customer expectations to create and secure on contract growth and successful rebid opportunities.

Risk context

This is a newly-created risk that was previously grouped with the Contract non-compliance and misreporting risk. It considers contract performance from the point of contract mobilisation onwards to seek to ensure we set our contracts up to succeed from inception - bridging the development of the solution to operational go live, through contract set up, ongoing contract execution and contract rebid/extensions to exit and lessons learnt.

We operate over 700 contracts, many of which have specific customer requirements. Drivers of this risk include inability to operationalise the proposed solution, resourcing challenges, unanticipated contract costs and lack of sufficient or effective handover from bidding to operational teams. It also includes contract change processes and scope management.

Example mitigations

- Standardised contract lifecycle process including mandated governance stage gates and management oversight and approval steps from contract mobilisation to contract extension/exit and lessons learnt.
- Risk and issue registers embedded in contract lifecycle process forming part of contract mobilisation.
- Implementation of Programme Boards in 2025 for material and complex new contracts to oversee mobilisation activities.
- Operating a procedure for delivering contract obligations including maintaining up-to-date copies of contract, contract variations and key regulatory requirements.
- Monthly contract performance reviews feeding into Business Unit and Divisional performance reviews.
- Annual Gate 8 lessons learnt reviews.
- Proactively managing contract change, raising written contract changes, involving contract experts, and keeping full records of signed changes in CMA.

Oversight by: Risk Committee and ExCo

Executive sponsor: Nigel Crossley, Group Chief Financial Officer

Principal Risks and Uncertainties continued

Significant failure of the supply chain G O

Risk appetite: Moderate

Risk trend:

Serco failure to fulfil customer and legal obligations, deliver essential operations or win new business due to a significant failure in the supply chain resulting in financial losses, operational disruptions, and reputational damage. Supply chain failure includes poor supplier performance and resilience, cyber security and data protection issues, health, safety and environment incidents and ethics and compliance breaches.

Risk context

Managing supplier risk has become a more critical and complex task for Serco due to the existence of more complex, globalised supply chains. We recognise increasing risk of disruption from distant parts of the world with geopolitical uncertainty creating an unpredictable environment for global supply chains, economic uncertainty and inflation leading to higher costs and affecting labour availability. In addition, the rise in cyber threats poses significant risks to supply chain security as attacks can target critical infrastructure and data.

Despite these risks we have not experienced any material disruptions across the Group and therefore consider the risk trend as stable.

Example mitigations

- Procurement Policy, Standards and Procedure including Supplier Code of Conduct processes.
- Serco standard contracts where possible including appropriate obligations, KPIs and Service Level Agreements.
- Annual procurement review process of identified business-critical suppliers.
- A supplier management framework focusing on key risk themes including supplier, cyber and information security specific due diligence and monitoring.

Oversight by: Risk Committee and ExCo

Executive sponsor: Anthony Kirby, UK & Europe CEO

PEOPLE RISKS

Failure to act with integrity G O

Risk appetite: Averse

Risk trend:

We recognise an inherent risk of corrupt, illegal, or dishonest behaviour by individuals within or connected to our organisation. A material failure to act with integrity or significant control failure could result in regulatory fines or other penalties, damages claims, legal action against individuals and the Company and the potential loss of ability to bid, win or retain contracts. A failure could also adversely impact colleague engagement and the confidence of customers, investors and other stakeholders.

Risk context

We are committed to operating with integrity and are averse to behaviours and actions that might compromise this. We recognise that, as a provider of frontline public services, we are subject to public scrutiny and challenge and that there may be occasions where 'things go wrong'. In such situations, we seek to minimise the impact of any failure, accept responsibility and take action. We have no tolerance for any significant breach resulting in risk of prosecution, regulatory or government censure.

Emerging risk considerations include increasing legislation, such as modern slavery regulations and failure to prevent fraud in the UK. Geopolitical tensions impact sanctions legislation and enforcement and focus for the governments we serve. Potential pressures which might drive inappropriate behaviour can be caused by inflationary and economic challenges, increasing mental health risk and higher medium-term levels of colleague attrition.

Despite the increases in regulatory requirements, these are generally introduced gradually or do not impact significant areas of our business and are part of the general environment in which we operate. These pressures are known and taken into account in the ethics and compliance programme. We do not therefore consider these factors to move the overall position of this risk which we see as stable.

Example mitigations

- Strong, meaningful and understood Values and required behaviours, which are defined in mycode, supported by the right tone from leaders.
- Robust governance exercising oversight of Ethics and Compliance programme including Non-Executive Directors only sessions at the CRC Committee.
- Ethics and Compliance (E&C) teams in each Division delivering training.
- Group-led compliance tools, standards, frameworks and platforms including mycode.
- Independent Speak Up process supported by Corporate Investigation teams.
- Mandatory Serco Essentials training covering E&C topics.
- Third-party due diligence on key customers, suppliers and high risk third parties to identify regulatory non-compliance and risks such as sanctions and bribery.

Oversight by: Corporate Responsibility Committee, Risk Committee and ExCo

Executive Sponsor: Mark Irwin, Group Chief Executive

Principal Risks and Uncertainties continued

Health, safety and wellbeing G O C

Risk appetite: Averse

Risk trend: ⟷

The diversity of services provided by Serco exposes our employees, customers and third parties to a wide range of health, safety, and wellbeing (HS&W) risks inherent to our operations. This risk also includes psycho-social, environmental and societal concerns that may impact the safety and wellbeing of our employees, partners and those in our care. Additional considerations include environmental concerns recognising that extreme heat, flooding or other extreme weather events may impact the safety and wellbeing of our employees, customers and service users. A breach of health and safety regulations or failure to meet our contracted expectations could disrupt our business and lead to contractual, financial, regulatory and reputational costs.

Risk context

Our vision is Zero Harm. We have an averse risk appetite for actions and/or failures, that would cause loss of life. Despite a strong performance when considering our key KPIs for H&S, as shown on page 28 to 29 (LTIs reduction of 22% and Lost Working Days reduction of 33%) we recognise that we cannot eradicate risk entirely while maintaining operational delivery and we therefore consider the risk trend as stable. We continue to prioritise prevention of major injuries and threats to wellbeing whilst tolerating that minor injuries will occur on occasion but are minimised by appropriate controls.

Our HS&W risk has the potential to impact or interconnect with several principal risk areas including Legal and Regulatory, Contract Non-Compliance, Integrity and Catastrophic Risk.

As societal challenges are predicted to increase, we anticipate that our exposure to the interconnectivity of risks will also increase, largely driven by cost-of-living pressures which will disproportionately impact our frontline workforce. Continuing to meet these developing people and compliance needs and mitigating their impact will be a key challenge for the organisation through 2025.

Example mitigations

- HS&W Strategy and Safety Management Systems mandated in policy and implemented in each Division, including task-based enhanced risk assessments.
- Effective use of data and information to drive improvements including introduction of a psychological H&S injury metric.
- Updated HS&W training, communication and guidance, in addition to mandated Group wide safety training (Serco Essentials) with completion captured and reviewed.
- Spontaneous and planned preventative, maintenance, audit, and inspection through a programme of first, second and third line assurance activities.
- Role-specific training, based on site and task specific risk assessment findings and control measures.
- Incident reporting and investigations through effective use of reporting and compliance systems.
- Continued growth of the review and sharing of lessons learnt throughout the global organisation.
- ISO Certifications including ISO 45003.

Oversight by: Board, Corporate Responsibility Committee, Risk Committee and ExCo

Executive sponsor: Gillian Duggan, Group Chief People and Culture Officer

Principal Risks and Uncertainties continued

Catastrophic incident

Risk appetite: Averse | **Risk trend:**

Given the nature of our business, we are exposed to the risk of an event (incident or accident) occurring as a result of Serco's actions or failure to effectively respond to/prepare for an event that results in multiple fatalities, and/or severe property/asset damage/loss and/or very serious environmental damage.

Risk context

We operate a five-step Catastrophic Risk plan to ensure that each Division continues to assess risks at a contract level, to ensure that relevant material risks have been identified and mitigated appropriately. The physical risks linked to climate change-related events are included more explicitly in our risk management framework as part of the work initiated for TCFD and outlined in more detail on pages 56 to 60. The Health, Safety and Wellbeing elements of this risk are included in the Health, Safety and Wellbeing principal risk.

Given our average contract length, there tend not to be large fluctuations in this risk and we consider the risk trend to be stable. We continue to work with some of our key insurance brokers to leverage climate change impact scenario analyses they have conducted, to see what potential risk quantification changes they project. This helps ensure that the insurance limits purchased remain adequate, given insurance is one of the key mitigations for this risk and also helps inform our TCFD response as detailed on pages 56 to 60.

Example mitigations

- HSE&W Strategies and Safety Management System (policies and procedures) underpinned by our Impact framework.
- Safety training (including Serco Essentials) and individual development plans and processes based on role and operational risk.
- Effective incident/near-miss investigations and effective use of ASSURE (independent reporting and compliance system).
- Business continuity, crisis and incident emergency response plans and testing.
- Risk transfer via prudent insurance cover where appropriate.

Oversight by: Risk Committee and ExCo

Executive sponsor: Tom Watson, North America CEO

LEGAL AND COMPLIANCE RISKS

Material legal and regulatory compliance failure

Risk appetite: Averse | **Risk trend:**

Serco operates in complex legal and regulatory environments across multiple industries and geographies and there is a risk that the Company might not comply with all relevant laws and regulations. Failure to comply with laws and regulations may cause significant loss and damage to the Group and harm to people including exposure to regulatory prosecution and fines, reputational damage and the potential loss of licences and authorisations, all of which may prejudice the prospects for future bids and contracts. Defending legal proceedings may be costly and may also divert management attention away from running the business for a prolonged period. Uninsured losses or financial penalties resulting from any current or threatened legal actions may also have a material adverse effect on the Group.

Risk context

We remain subject to a fast-moving and complex global legal and regulatory environment and Serco is subject to investigations and potential claims which involve legal proceedings. We successfully settled a material class action claim during 2024 involving former shareholders but remain vigilant to the increasing threat of class action litigation.

In addition, various laws and regulations that apply across the business continue to be subject to increased focus and attention, including anti-bribery and corruption laws, market abuse regulation, data and privacy laws, sanctions and trade compliance, competition and antitrust, human rights, modern slavery and employment laws. We are averse to risks which may result in legal and regulatory non-compliance and demand processes that seek to minimise regulatory and legal action, as well as targeted and selected assurance activity.

Example mitigations

- Embedded internal and external legal and other subject matter experts (for example HR) with responsibility for monitoring and understanding legal and regulatory obligations and risks.
- Dedicated legal teams at Group and Divisions aligned to business and operations.
- Investment Committee and Business Lifecycle Review Team (BLRT) bid process and governance.
- Third-party due diligence on key customers, suppliers and high risk third parties.
- Group-led compliance tools including Speak Up and MyCode.
- Serco-wide Essentials Training modules as well as targeted roles-based and ad hoc training on specific legal areas.
- Annual and half year statements attesting material compliance with laws and regulations.

Oversight by: Risk Committee and ExCo

Executive sponsor: David Eveleigh, Group General Counsel

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code published by the Financial Reporting Council (FRC) in July 2018 and the FRC Guidance on Risk Management and Business Reporting, the Directors have assessed the prospects of the Group over the three-year period to 31 December 2027.

Three-year term

Whilst the Group operates many long term contracts, the nature of the Group's business relies on continued bidding activity and contract wins in order to sustain its revenue streams and facilitate growth. The pipeline of contract opportunities is carefully managed, however, the outcome of bid submissions is binary and the Group uses past experience and estimated win rates to provide short term budgets against which performance is measured. As a result of the estimates used in developing the Group's forecast, it remains challenging to develop detailed projections against which the Group's viability can be assessed. Therefore, the Directors believe that a three-year period is appropriate since it reflects the fact that:

- Short term projections can be heavily reliant on successful bidding opportunities which have a binary outcome.
- The Group has limited visibility of contract bidding opportunities beyond three years given the lead times which generally exist before opportunities come to market.
- Approximately 51% (2023: 50%) of the current year revenue relates to contracts where the contract term potentially comes to an end within three years.

In line with the annual budgeting process the Group has prepared an updated five-year business plan to establish whether it is on target to achieve its long-term strategic goals. The future cash flows are derived from the latest Board approved five-year plan, with the key assumptions being revenue growth which is sensitive to known and unknown pipeline opportunities, which is common within the industry, win rates for rebids and new business, margins on existing and new business, and cash conversion rates, all of which drive short-term growth rates. The Board approved five-year plan has an element of contingency to take into consideration potential risks within these assumptions. Given the nature of the assumptions used in the latter years of the five-year plan it is appropriate to forecast the future performance of the business, however, given the assumptions used and the items noted above, is not of definitive certainty against which a statement of viability can be assessed against.

Financial forecasts

In assessing the prospects of the Group over the three-year period, the Directors have also considered the Group's current financial position as well as its financial projections in the context of the Group's debt facilities and associated covenants. These financial projections which have been approved by the Board are based on a bottom-up budget exercise for 2025 and 2026, and a higher-level forecast for 2027 based on key assumptions such as current contracted revenue and assumed win rates applied to new business and rebid opportunities.

The Group's covenant net debt balance at 31 December 2024 is £103.3m. The Group's base projections indicate that debt facilities and projected headroom are adequate to support the Group over the period to 31 December 2027. The Group's financial plan has been stress-tested against key sensitivities which could materialise as a result of the crystallisation of one or a number of the principal risks, the objective being that the future viability of the Group is tested against severe but plausible scenarios.

Funding facilities

At 31 December 2024, the Group's principal debt facilities comprised a £350m revolving credit facility maturing in November 2027 (of which £nil was drawn), and £279m of US private placement loan notes (USPP notes). The principal financial covenant ratios are consistent across the USPP notes and revolving credit facility, and are outlined on page 211.

The Group refinanced its revolving credit facility at the end of 2022 and the associated five-year funding facility provides the financial platform to continue to invest in the growth of the Group. The refinanced bank debt expires during the three-year assessment period and the viability assessment assumes that it will be refinanced on similar terms. The Directors are of the opinion that refinancing the debt, to at least a level that would allow the Group to remain viable, is an achievable outcome.

During the period of assessment, £104m of the Group's USPP notes mature. The long-term forecasts supporting this statement show that, on the assumption that these are repaid and no further refinancing occurs after the date of the approval of these financial statements, there is still sufficient liquidity headroom for the Group to remain viable.

As detailed in post balance sheet events within note 36 to the financial statements, subsequent to the balance sheet date the Group signed a committed 2-year term loan facility of US$250m (c.£199m) on the announcement to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S), which has been included in the Directors' liquidity forecast supporting this assessment. The facility provides a source of additional liquidity in the near term, becoming available after the completion of the acquisition, and it will mandatorily cancel in the event of equivalent future debt issuance by the Group. The principal financial covenant ratios of this facility are consistent with the USPP loan notes and revolving credit facility.

Risks

The Board and the Risk Committee continue to monitor the principal risks facing the Group, including those that would threaten the execution of its strategy, business model, future performance, solvency and liquidity. The potential outcome, management and mitigation of those principal risks have been taken into consideration when modelling sensitivities to assess the future viability of the Group. The Group's risk review is set out on pages 65 to 71 and outlines the Group's principal risks and mitigating controls that are in place.

Severe but plausible downside scenarios

Due to the Group's long-term contracting nature, the sensitivities tested include a reduction in the win rates for rebids, extensions and the pipeline of new opportunities, a reduction in delivering margin improvements and a potential penalty arising from risks such as a major information security breach or a material legal and regulatory compliance failure.

Viability Statement continued

A reverse stress test of the Group's profit forecast has been completed using different assumptions of new business and rebid win rates and the Group's profit margin. This analysis shows that the Group can afford to be unsuccessful on 40% of its target new business and rebid wins combined with a profit margin 80 basis points below the Group's forecast, and the Group will still have sufficient liquidity available throughout the assessment period, on the assumption that all USPP notes are repaid during the period, and that the Group's Revolving Credit Facility is refinanced on similar terms. May 2025 is the point with the lowest amount of liquidity headroom using the sensitivities outlined above against which the forecast has been stress tested.

As context, rebids have a more significant impact on the Group's revenue than new business wins, as contracts accounting for 51% of total revenues are expected to be rebid in the next three years. The Group has won more than 85% of its rebids and available contract extensions over the last two years by volume, therefore a reduction of the budgeted bids and extensions by 40% is not considered plausible. While these sensitivities will change in line with the Group's order book and contract performance going forward, including the impact of new contract wins and losses, the ability for the Group to absorb sensitivities of this scale within its existing financing arrangements drove the assumptions below, which the Directors felt appropriate to disclose in making this viability statement.

Mitigations

It is considered unlikely, but not impossible, that the crystallisation of a single risk would test the future viability of the Group; however, unsurprisingly, and as with many companies, it is possible to construct scenarios where either multiple occurrences of the same risk, or single occurrences of different significant risks, could put pressure on the Group's ability to meet its financial covenants. At this point, the Group would look to address the issue by exploring a range of options including, amongst others, a temporary or permanent renegotiation of the financial covenants, disposals of parts of the Group's operations to reduce net debt and/or raising additional capital in the form of equity, subordinated debt or other such instruments.

Conclusions and assumptions

Subject to these risks and on the basis of the analysis undertaken, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases further out in time and, therefore, future outcomes cannot be guaranteed or predicted with certainty. The Directors have made the following key assumptions in connection with this assessment:

- there is no significant unexpected contract attrition of existing work that becomes due for extension or rebid over the next three years;
- there is no significant reduction in scale of existing contract operations as a result of customer policy or other changes;
- the Group is able to refinance the £350m revolving credit facility which matures during the assessment term;
- there is no significant deterioration in new business and rebid win rates from those anticipated;
- the Group is able to continue the execution of its strategy of growing revenue and profits; and
- the Group is not subject to any material penalties, claims, litigations, direct and indirect costs and/or debarment from bidding for new contracts.

Section 172 (1) Statement

Section 172 (1) of the Companies Act 2006 requires a director of a company to act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The Directors, both individually and collectively, believe that they have given due regard to the matters set out in section 172 (1) (a-f) of the Companies Act 2006 in discharging this duty during the year.

The following pages, which includes examples of key decisions taken during the year, describe how the Directors individually, and the Board collectively, have had regard to the matters set out in Section 172 and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Section 172 factor	Further information
(a) The likely consequences of any decision in the long term The Board's diverse set of skills, knowledge and experience assists in making informed decisions promoting the long-term success of the Company whilst considering the needs of our stakeholders.	Strategic report • Our Market: pages 22 and 23 • Our Strategy: pages 24 to 27 • KPIs: pages 28 and 29 Governance • Board Leadership and Company Purpose: page 83
(b) The interests of the Company's employees The Board has oversight of colleague wellbeing, safety culture, and diversity; talent development; and the alignment of culture and strategy with core values through the work of the Corporate Responsibility Committee. The Board also considers feedback received from colleagues through the Group-wide engagement survey, Viewpoint, and through Dame Sue Owen DCB, Designated Non-Executive Director for Employee Voice.	Strategic report • Our People and Culture: pages 30 to 32 • KPIs: pages 28 and 29 • Our Impact: pages 33 to 55 and on our website Governance • Board Leadership and Company Purpose: page 83 • Corporate Responsibility Committee report: pages 95 and 96
(c) The need to foster the Company's business relationships with suppliers, customers and others Regular operational updates are provided to the Board directly and through its Committees by senior management including on matters such as the management and assessment of suppliers and customer engagement and feedback. Members of the Board also meet with customers during contract visits.	Strategic report • Divisional Reviews: pages 14 to 18 • KPIs: pages 28 and 29 • Our Impact: pages 33 to 55 and on our website • Principal Risks and Uncertainties: pages 65 to 71
(d) The impact of the Company's operations on the community and the environment Members of the Board meet with users of the services we provide on behalf of our customers during contract visits. Senior management also provide regular updates directly to the Board and through its Committees on matters such as ethics and business conduct, the Speak Up service and environmental strategy.	Strategic Report • Our Impact: pages 33 to 55 and on our website
(e) The desirability of the Company maintaining a reputation for high standards of business conduct Our Values, Code of Conduct, Serco Management System and related policies cover the values and behaviours expected of employees, the standards to which they must adhere, how we engage with stakeholders and how the Board looks to ensure that we have robust systems of control and assurance processes. Together, they are designed to drive high standards of business conduct across the Group and compliance is monitored by the Board directly and through the work of its Committees.	Strategic report • Our Impact: pages 33 to 55 and on our website • Principal Risks and Uncertainties: pages 65 to 71
(f) The need to act fairly as between members of the Company The Board considers feedback received from engagement with shareholders, debt investors, analysts and proxy advisors throughout the year. Members of the Board meet with a number of shareholders and analysts during the year; and the AGM provides an additional opportunity to communicate with private and institutional investors.	Strategic report • KPIs: pages 28 and 29 • Our Impact: pages 33 to 55 and on our website

Section 172 (1) Statement continued

Key:

G Growth O Operational Excellence C Competitiveness

Our stakeholder groups at a glance and link to priority areas	
Colleagues G O C	Our people are at the heart of our business and are critical to achieving our mission of bringing together the right people, technology and partners to deliver positive impact through equitable, meaningful and safe employment.
Customers G O C	Our ability to retain existing, and win new, customers through understanding, engaging with, and responding to their needs ensures our continued success. We aim to deliver quality public services, at a price that represents good value for money.
Suppliers O C	We aim for honest, respectful and transparent relationships with suppliers that share our ethical standards and commitment to sustainability to fulfil our purpose of being a valued and trusted partner of governments, delivering superb public services that transform outcomes and make a positive difference to our fellow citizens.
Communities and society O	We deliver public services for and on behalf of our government customers, employing local people and working with those who represent the needs of the communities we operate in, strengthening the social and economic wellbeing of the communities we serve.
Shareholders G O	Engagement with and receiving the support of our shareholders is a key factor in achieving our strategic goals. We seek long-term relationships based on transparency, honesty and clarity, all of which are critical for building trust.

Principal Decision	Stakeholder groups	Section 172 considerations
Returning funds to shareholders: Share Repurchase Programme 2024 See also: • Group and Divisional review on pages 8 to 21 • Share buyback announcement (29 February 2024)	Shareholders	The Company launched a share buyback programme of £140m, the objective of the programme was to return surplus capital to shareholders in line with the Group's capital allocation model. The buyback programme was completed on 29 November 2024 and the repurchased shares have been cancelled. The Board considered the share buyback programme to be in line with shareholder expectations and consistent with the Group's capital allocation policy. The Company took advice from advisers.
Strategy review See also: • Our Strategy on pages 24 to 27 • Our Impact on pages 33 to 55 and on our website	Colleagues, Customers, Suppliers, and Shareholders	In 2023, we redefined our Purpose, Vision and Mission, alongside our Goals. In 2024, the Board determined that these central principles, as well as our commitment to an international, diversified portfolio of government customers, continues to be at the core of our strategy.
Contract Bids See also: • Contract announcements • (22 August 2024; 8 November 2024; 15 January 2025; and 6 February 2025)	Colleagues, Customers, Communities and society, and Shareholders	Board approval is required for contract bids where the contract value exceeds a specified value per year or is of an unusual scope, nature or liability exposure. When assessing bids that meet this criteria, the Board consider a number of factors including existing knowledge, experience and capabilities in the sector, strategic growth ambitions, and the longer term benefit to the Company's shareholders. During 2024, the Board considered and approved a number of bid submissions, including US Space Force's Pituffik Space Base, Australia Immigration, Federal Aviation Administration, Canada National Capital Region of Ottawa and the UK Armed Forces Recruitment Service.
Acquisition See also: • Acquisition announcement (30 January 2025)	Colleagues, Customers, and Shareholders	The Board considered a number of acquisitions including the acquisition of Northrop Grumman's mission training and satellite ground optimisation business and how it could increase the Company's scale, capabilities and growth potential providing benefit to shareholders in the long term. The Board also considered how the acquired capability and the knowledge and experience of the workforce would enhance the solutions the Company can offer to customers worldwide.

The Strategic Report on pages 1 to 75 is approved by the Board of Directors and signed on its behalf by:

Nickesha Graham-Burrell
Group Company Secretary
26 February 2025

Corporate Governance

Contents

Chair's Corporate Governance Overview

Effective Governance

This report sets out how Serco is governed and the key activities of the Board of Directors in promoting effective governance during 2024. Further information on how the Company complied with the UK Corporate Governance Code during 2024 is set out on the following pages.

John Rishton
Chair

Dear Shareholders

I am pleased to present the Corporate Governance Report for 2024. The Board believes that good governance is key to the long-term success of the Group and is committed to upholding high standards of governance.

Board leadership and Company purpose

As Chair, I am responsible for providing leadership to ensure that the Board operates effectively and that Serco has strong governance which, in recent years, is an area that has received increased focus from our stakeholders. I continue to be supported in this by each of the Directors, in particular, Lynne Peacock, our Senior Independent Director. Details of our Board, Committees and Governance structure are provided on pages 83 to 86. Further information on how we are performing against our strategic objectives can be found on pages 28 and 29. Details of how we ensure that we operate and deliver our strategic objectives in a way that is responsible and consistent with the broader interests of society is summarised on pages 33 to 55 and in our separate Impact Report, which is available on the Company website.

Effectiveness

The Board and its Committees have continued to work well together over the last year. We continue to have a separate discussion after each Board meeting with only the Non-Executive Directors (NEDs) present and to have informal dinners – attended by all members of the Board and to which members of senior management are sometimes invited. These additional opportunities to meet continue to prove productive and effective. The work of the Board's Committees during the year is set out on the following pages. The annual Board performance review assists the Board in assessing how the Board and its Committees operate and to identify areas in which improvements can be made. This year, the review was externally-facilitated and a summary of the outcome of this review is set out on page 86.

John Rishton
Chair
26 February 2025

Meeting attendance

Director	Board	Nomination	Audit	Risk	Corporate Responsibility	Remuneration
John Rishton	8 of 8	2 of 2	n/a	n/a	n/a	4 of 4
Kirsty Bashforth	8 of 8	2 of 2	n/a	4 of 4	4 of 4	4 of 4
Nigel Crossley	8 of 8	n/a	n/a	n/a	n/a	n/a
Kru Desai	8 of 8	2 of 2	7 of 7	n/a	4 of 4	n/a
Ian El-Mokadem	8 of 8	2 of 2	7 of 7	4 of 4	n/a	n/a
Victoria Hull	3 of 3	1 of 1	n/a	n/a	n/a	2 of 2
Mark Irwin	8 of 8	n/a	n/a	n/a	4 of 4	n/a
Tim Lodge	8 of 8	2 of 2	7 of 7	4 of 4	n/a	4 of 4
Dame Sue Owen	8 of 8	2 of 2	n/a	4 of 4	4 of 4	n/a
Lynne Peacock	8 of 8	2 of 2	7 of 7	n/a	n/a	4 of 4

Governance at a Glance

UK Corporate Governance Code 2018 (the Code) Compliance Statement

During 2024, the Company complied with all of the provisions of the Code. The Corporate Governance Report and the table below illustrate how we have applied the Code principles and complied with the provisions.

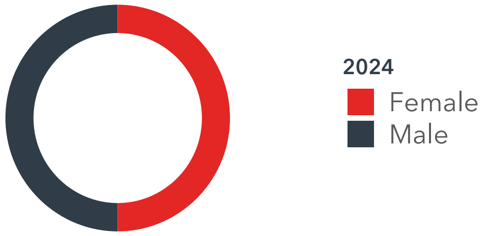
The Code is available at www.frc.org.uk.

> The Board believes that good governance is key to the long-term success of the Group."

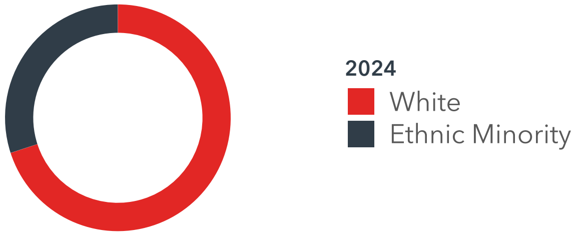
UK Corporate Governance Code		
Board Leadership and Company Purpose		**Pages 83 to 85**
A	Board effectiveness and activities	83
B	Purpose, culture and values	83
C	Risk management and controls	84
D	Stakeholder engagement	84
E	Workforce policies and practices	85
Division of Responsibilities		**Pages 83 to 86**
F	Board roles	85 to 86
G	Independence	86
H	Time commitment and conflicts of interest	86
I	Board resources	83 to 84
Composition, Succession and Evaluation		**Page 86**
J	Appointments and succession plans	86
K	Board composition	86
L	Board performance review	86
Audit, Risk and Internal Control		**Pages 89 to 94**
M	Auditor independence and effectiveness	93
N	Review of Annual Report	91
O	Risk management and internal control	89 to 93, 94
Remuneration Pages		**Pages 97 to 117**
P	Annual Report on Remuneration	97 to 98, 102
Q	Determining the Remuneration Policy	115 to 117
R	2024 performance outcomes	102 to 106, 114

1. As at 31 December 2024.
2. As at 31 December 2024 and where white is defined by the Office of National Statistics Ethnic Group Response Categories for England.
3. Further information can be found on page 88.

Board Gender[1]



Board Ethnicity[2]



Group Executive Committee Gender[3]

Board Skills Assessment 2024	Skills and Experience					
	Very Limited	Limited	Moderate	Substantial	Very Substantial	Total
Environmental (E in ESG)		2	5	3		10
Social (S in ESG)		1	2	7		10
Governance (G in ESG) including of PLCs and complex global groups			1	4	5	10
Previous and/or current PLC board & committee experience			3	1	6	10
Financial expertise including banking, financing and audit etc		2	3	1	4	10
HR & remuneration in international businesses		1	2	4	3	10
Working with governments	1		4	2	3	10
Outsourcing contracting		2	2	2	4	10
Leadership of complex global groups			1	2	7	10
Management and oversight of group health and safety arrangements			1	6	3	10
Risk management, ethics and compliance				2	8	10
People and culture including D&I, employee incentives and change programme implementation or ongoing oversight etc.			1	4	5	10
Technology, digital and cyber security		1	5	4		10
Strategy and M&A of complex global groups			1	3	6	10

Board of Directors

John Rishton
Board Chair

N RE

Appointed to the Board
September 2016 (Chair since April 2021)

Skills and experience
John Rishton has over 40 years' business experience gained in a variety of companies, industries and roles, including nearly 14 years as a Chief Executive or Chief Financial Officer.

He has a BA in Economics from Nottingham University.

Previous roles
Chief Executive of Rolls-Royce Group plc, Chief Executive and President of the Dutch international retailer, Royal Ahold NV (and prior to that, its Chief Financial Officer) and Chief Financial Officer of British Airways plc. Non-Executive Director of Associated British Ports, Allied Domecq and ICA Gruppen AB. Non-Executive Director and Chair of the Audit Committee of Unilever plc.

Current external commitments
Chair of Informa plc.

Non-Executive Director of Majid al Futtaim Properties LLC.

Mark Irwin
Group Chief Executive

C

Appointed to the Board
January 2023

Skills and experience
Mark Irwin has extensive international experience in business and operations management, holding numerous senior leadership positions in state-owned, public and private equity business environments. He has worked for Serco since 2013.

He has an MBA from Victoria University.

Previous roles
Leadership roles in several US-based private equity portfolio businesses, including Momentive Performance Materials and Nalco Company as well as China National Bluestar Group following Blackstone's investment in the company. Prior to working in China, Mark spent eight years in the United States working for multinational companies including General Electric (GE), after commencing with GE in Australia.

Current external commitments
None.

Nigel Crossley
Group Chief Financial Officer

Appointed to the Board
April 2021

Skills and experience
Nigel Crossley is an experienced Chief Financial Officer with over 30 years' experience in finance roles in international organisations. He has worked for Serco since 2014.

He has a BSc in Mathematics from Hull University.

Previous roles
Director of Finance and Transformation at EMI, Group Financial Controller of RHM plc and various finance roles at Procter & Gamble.

Current external commitments
None.

Key to Committee membership

A Audit Committee

N Nomination Committee

RE Remuneration Committee

C Corporate Responsibility Committee

RI Risk Committee

Committee Chair

Board of Directors continued

Kirsty Bashforth
Independent NED

N RE C RI

Appointed to the Board
September 2017

Skills and experience
Kirsty Bashforth is an experienced executive and board member within the construction, services, consumer goods, energy, education and health industries, with expertise in change management, safety and risk management, organisational culture and leadership.

She has an MA in Economics from the University of Cambridge and is the author of 'Culture Shift – a practical guide to managing organizational culture'.

Previous roles
Non-Executive Director, Chair of the Safety, Health and Environment Committee and a member of the Nomination, Remuneration, Risk Management and Audit Committees of Kier Group plc. Chief Business Officer, Non-Executive Director and Chair of the Remuneration Committee of Diaverum AB. Group Head of Organisational Effectiveness at bp plc and other global roles. Non-Executive Director, Chair of the Remuneration & People Committee and a member of the Audit & Risk and Reputation & Ethics Committees of GEMS Education. Governor of Leeds Beckett University and Ashville College. Chair of Northern Superchargers Limited.

Current external commitments
Chief People and Culture Officer of Delinian Trading Limited.

Non-Executive Director, Chair of the Remuneration Committee and a member of the Nomination and Environmental and Social Impact Committees of PZ Cussons plc.

Director of QuayFive Limited.

Kru Desai
Independent NED

A N C

Appointed to the Board
October 2021

Skills and experience
Kru Desai has over 30 years' experience of working with the public and private sector in leading transformation of public services in the UK and internationally. She has held general management and board leadership roles in sales and operational delivery.

She has an MSc in Politics and Administration from Birkbeck College, University of London and an Executive MBA from the University of Bristol.

Previous roles
Partner, KPMG LLP (UK). Non-Executive Director and Chair of the Remuneration Committee of KPMG LLP (UK). Executive Director and Member of the Group Management Board of Mouchel Group plc and of the Management Board of Hedra PLC. Managing Director of Atos (UK). Independent Commissioner of the Geospatial Commission. Chair of the Zinc Network. Vice Chair of City St George's, University of London (formerly City, University of London).

Current external commitments
Independent Non-Executive Director of Buro Happold Limited.

Ian El-Mokadem
Independent NED

A N RI

Appointed to the Board
July 2017

Skills and experience
Ian El-Mokadem is an experienced Chief Executive Officer with international experience in business transformation and acquisitions and disposals.

He has a BSc (Hons) in Economics and Statistics from University College, London and an MBA from INSEAD.

Previous roles
Chief Executive Officer of RWS Holdings plc, V. Group and of Exova Group plc. Group Managing Director, UK & Ireland of Compass Group plc and senior management positions with Centrica plc and the global management consultancy, Accenture.

Current external commitments
Non-Executive Director and member of the Audit and Nomination Committees of Diploma PLC.

Director of Roegate Consulting Limited.

Tim Lodge
Independent NED

A N RE RI

Appointed to the Board
February 2021

Skills and experience
Tim Lodge is a fellow of the Chartered Institute of Management Accountants and has a strong finance and accounting background with over 30 years' experience in financial roles within international organisations, some eight of which were spent as Chief Financial Officer. He has considerable experience in leading significant strategic and operational transformation and driving commercial performance.

He has an MA in Classics from the University of Cambridge.

Previous roles
Chief Financial Officer at Tate & Lyle PLC and COFCO International and a Non-Executive Director and Chair of the Audit Committee of Aryzta AG. Chair of the Management Committee of the Cordwainers Livery Company.

Current external commitments
Non-Executive Director of Howden Joinery Group Plc.

Non-Executive Director and Chair of the Audit Committee of SSP Group plc.

Senior Independent Director of Arco Limited.

Director of An African Canvas (UK) Limited.

Trustee of Gambia School Support.

Board of Directors continued

Dame Sue Owen DCB
Independent NED

N C RI

Designated Non-Executive Director for Employee Voice

Appointed to the Board
August 2020

Skills and experience
Dame Sue Owen DCB has significant experience of government and economic policy, having held senior roles in several government departments.

She has an MA in Economics from Cambridge University and an MSc in Economics from Cardiff University.

Previous roles
Permanent Secretary for the Department for Digital, Culture, Media and Sport, Diversity and Inclusion Champion, chair of the Charity for Civil Servants and senior posts in the Department for Work and Pensions, Department for International Development, Foreign Office and HM Treasury.

Current external commitments
Chair of the Royal Ballet Governors.

Specialist Partner at Flint-Global Advisory.

Non-Executive Director of Pantheon International plc.

Non-Executive Director of Pool Reinsurance Company Limited and Pool Reinsurance (Nuclear) Limited.

Non-Executive Director of Methera-Global Communications.

Trustee of Opera Holland Park.

Supervisory Board member of DAF NV.

Chair of the UK Debt Management Office Advisory Board.

Lynne Peacock
Senior Independent Director

A N RE

Appointed to the Board
July 2017

Skills and experience
Lynne Peacock has over 30 years' senior management experience in a range of roles including brand development, mergers and acquisitions, change management and business transformation.

She has a BA (Hons) in Business Studies.

Previous roles
Deputy Chair of The Royal London Mutual Society Limited and member of the Remuneration and Nominations and Governance Committees. Senior Independent Director of TSB Bank plc and member of Nomination, Remuneration and Risk Committees. Non-Executive Chair of Standard Life Assurance Limited and Non-Executive Director and a member of the Nomination and Governance Committee and Audit Committee of Standard Life Aberdeen plc. Non-Executive Director and Chair of the Audit Committee of Scottish Water. Senior Independent Director, Chair of the Remuneration Committee and member of the Audit, Risk and Nomination Committees of Nationwide Building Society. Non-Executive Director and a member of the Audit and Risk, Nominations and Remuneration Committees of Jardine Lloyd Thompson Group plc. Chief Executive of Woolwich plc and National Australia Bank Limited's UK businesses.

Current external commitments
Non-Executive Director, Chair of the Environmental, Social and Governance Committee and member of the Audit and Risk, Remuneration and Nomination Committees of International Distributions Services plc (trading as Royal Mail).

Chair of the Learning Disability Network London charity.

Victoria Hull
Independent NED

N RE

Appointed to the Board
1 September 2024

Skills and experience
Victoria has extensive senior executive experience across a broad range of business, legal, commercial and governance matters as well as strong international experience.

She is a Solicitor with a law degree from the University of Southampton.

Previous roles
Executive Director and General Counsel of Invensys plc and Telewest Communications plc. Senior Independent Director of Ultra Electronics plc.

Current external commitments
Senior Independent Director and Chair of the Nomination and Governance Committee of Hikma Pharmaceuticals plc.

Non-Executive Director and Chair of the Remuneration Committee of IQE plc.

Non-Executive Director and member of the Nomination, Remuneration, and Sustainability Committees of IMI plc.

Key to Committee membership

- A — Audit Committee
- N — Nomination Committee
- RE — Remuneration Committee
- C — Corporate Responsibility Committee
- RI — Risk Committee
- (red) — Committee Chair

Group Executive Committee

The Group Chief Executive is supported by his team who form the Group Executive Committee (ExCo). The ExCo is responsible for executing strategy and day-to-day management of the business.

Mark Irwin
Group Chief Executive

Anthony Kirby
Chief Executive Officer, UK & Europe and Group Chief Executive designate

Andrew Head
Chief Executive Officer, Asia Pacific

Nigel Crossley
Group Chief Financial Officer

Phil Malem
Chief Executive Officer, Middle East

Tom Watson
Chief Executive Officer, North America

Gillian Duggan
Group Chief People and Culture Officer

David Eveleigh
Group General Counsel

Ruth McGowan
Group Chief Strategy and Growth Officer

Tom Read
Group Chief Digital and Technology Officer

Scan the QR code to access the biographies of our ExCo members online

Corporate Governance

Board Leadership and Company Purpose

The role and structure of the Board

The Board has collective responsibility for the management, direction and performance of the Company ensuring that due regard is paid, at all times, to the interests of its stakeholders. The governance framework ensures that the Board has the right level of oversight for matters that are material to the Group. The Group's delegation of authority provides a clear direction on decision-making and ensures that decisions are taken at the right level of the business by colleagues who are best placed to take them. Each decision taken aligns to our culture and values and considers the benefits, risks, financial implications and impact on relevant stakeholders.

The Board, with the support of its Committees, is committed to achieving high standards of corporate governance, integrity and business ethics for all its activities around the world. This supports the Board when delivering its strategic objectives and meeting its key performance indicators (KPIs). Our culture supports the delivery of the Company's strategy and its long-term sustainable success, while generating value for shareholders. The Board has overall responsibility for establishing the Company's purpose, values and behaviours and ultimate responsibility for ensuring that adequate resources are available to meet agreed objectives and strategy.

The Board is mindful of the need to create value for shareholders and ensure long-term sustainable success; in doing so, the Board takes account of the wider interests of other stakeholders including suppliers, communities, the environment, employees and customers. Transactions, new business and the renewal of existing contracts above an agreed level are considered at Divisional level and then by the Investment Committee, prior to review by the Board; this is undertaken having regard to the Company's four principal values of Trust, Care, Innovation and Pride, and the impact on its workforce. The ways in which the interests of the Company's stakeholders and the matters set out in section 172 of the Companies Act 2006 have been considered are set out on pages 74 and 75.

The Board is conscious of the benefits of aligning culture with strategy and is further embedding this through our Impact Framework.

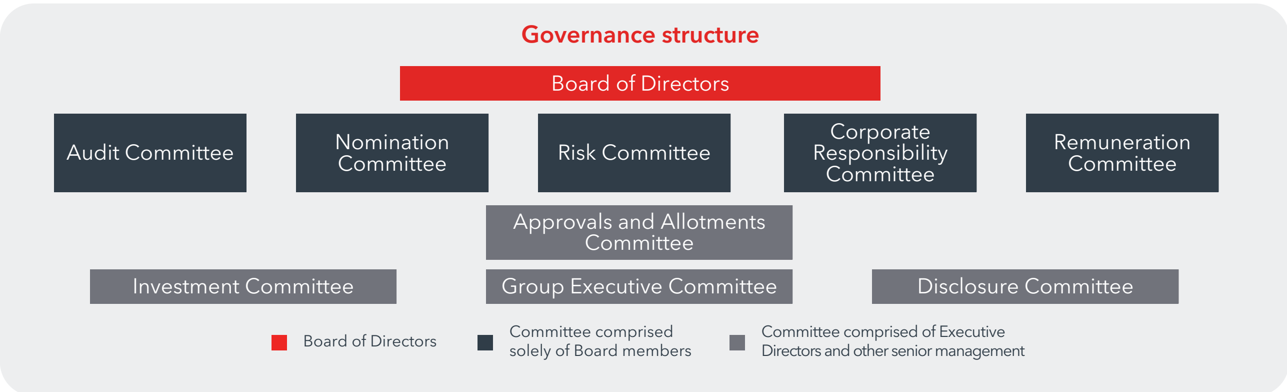
The activities undertaken by the Board during the year are set out on page 84.

The Board is supported by the activities of its Committees, which ensure that specific matters receive the right level of attention and consideration. Members of each Committee are provided with detailed information to enable them to discharge their duties and make recommendations to the Board. Cross-Committee membership provides visibility and awareness of relevant matters. The Committees are namely, Nomination, Audit, Risk, Corporate Responsibility and Remuneration. Each have their own Terms of Reference, which are reviewed at least annually. Details of each Committee's membership and activities during 2024 are set out in their respective reports on pages 87 to 98. The Board retains specific powers in relation to the approval of the Serco's strategic aims, policies and other matters, which must be approved by it in line with legislation or the Articles of Association (Articles). These powers are set out in the Matters Reserved for the Board, which are reviewed at least annually and are available on our website.

The Group Chief Executive has delegated responsibility from the Board to ensure the effective direction and control of the business and to deliver the Group's long-term strategy and goals. The Group Chief Executive has established a Group Executive Committee (ExCo), which he chairs, to assist him in discharging his responsibilities. The ExCo comprises the Group Chief Financial Officer, the CEOs of North America, UK & Europe, Asia Pacific and the Middle East; the Group Chief Strategy and Growth Officer; the Group Chief People and Culture Officer; the Group Chief Digital and Technology Officer; and the Group General Counsel.

Further details relating to their experience are provided on our website and the members of the ExCo are shown on page 82.

There are other Management Committees that support ExCo, namely, the Investment Committee and the Disclosure Committee.



Directors

The Board currently consists of ten Directors; the Board Chair, two Executive Directors (being the Group Chief Executive and Group Chief Financial Officer (CFO)) and seven independent Non-Executive Directors (NEDs). The biographies of the Directors can be found on pages 79 to 81.

Corporate Governance continued

Board meetings and attendance

The Board met eight times during the year. The Board and each Board Committee has an annual agenda plan and a formal meeting schedule to ensure that all matters are given due consideration at the appropriate point in the regulatory and financial cycle. Ad hoc meetings are scheduled when circumstances require.

Each Director is expected to attend all meetings of the Board, any Committees of which they are members, and to devote sufficient time to Serco's affairs to fulfil their duties as Directors. All Directors attend the Audit Committee meeting that reviews the year end results. Where Directors are unable to attend a meeting, they are encouraged to submit any comments on the meeting materials in advance to the Chair to ensure that their views are recorded and taken into account during the meeting.

During the year, two joint Audit and Risk Committee meetings were held and attended by each member of the respective Committee. Ad hoc Board and Audit Committee meetings were also held during the year.

Private NED-only sessions are held at the end of each Board meeting. Each Committee meets without Management present and relevant subject matter experts are invited to attend private sessions. The Group General Counsel and Group Company Secretary attend all meetings and members of senior management and other subject matter experts are invited to attend at the discretion of the Board Chair or relevant Committee Chair.

The table on page 77 shows the Directors who served during the year and their attendance at the Board and Committee meetings they were eligible to attend in 2024. Victoria Hull joined the Board on 1 September 2024.

The Approvals and Allotments Committee is comprised of the Executive Directors and Group General Counsel and meet on an ad hoc basis.

What did the Board achieve in 2024?

Key Board activities during the year included:

- Review of relevant contracts including new bids, rebids and extensions. The Board carefully considered each bid presented including how it supported the strategy.
- Review of M&A opportunities. The Board challenged each proposal and whether they were in the best long-term interests of the Company and its stakeholders. As a result, some of the opportunities were not pursued and others were progressed.
- Review of strategy and actions being taken to ensure that the strategic ambitions are met.

Risk Management and Internal Control

The Board has overall responsibility for risk management and internal control and formally reviews the findings of the overall Internal Audit programme. It is supported by the Audit, Risk and Corporate Responsibility Committees.

The Audit Committee report sets out the details of the Committee's responsibility for ensuring the integrity of the financial reporting process and the key matters considered during the year in respect of its oversight of financial and business reporting.

The Board has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten its business model, future performance, solvency or liquidity.

Further details about these risks and how they are managed and mitigated are included in this Annual Report and Accounts, together with the Viability Statement, which explains how the Directors have assessed the prospects of the Company and concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

The Board determines the Company's risk appetite and has established risk management and internal control systems, the effectiveness of which are reviewed at least annually by the Board.

Serco's internal control framework includes financial, operational, compliance and risk management controls. These are designed to manage and minimise risks that would adversely affect services to our customers and to safeguard shareholders' investments, our assets, our people, and our reputation (collectively, business risks).

Internal controls and key processes are defined within the Serco Management System. We use a 'three lines of defence' compliance assurance model to test business compliance to provide the Board with assurance that these controls are effective.

The Board confirms that there has been a focus on the three lines of defence for the year under review and up to the date of approval of the 2024 Annual Report and Accounts.

In addition to our in-house assurance teams, we are also subject to significant third line assurance activities and audits delivered through external third parties appropriate to the regulatory environment, certification standards and customer requirements in our varied service lines and business units. These reviews include those that support the range of ISO certifications across the business as well as independent performance and regulatory reports on Serco operations.

Stakeholder engagement

The Board is committed to enhancing engagement and seeks to build honest, respectful and transparent relationships with all of the Company's stakeholders. NEDs are encouraged to continually increase their knowledge of the operations of the Company, our customers, our employees, those who use the services we provide on behalf of our customers and the communities we work in.

The Company has established 'Employee Voice' to ensure employee engagement and employees can raise concerns through Speak Up, our global, confidential, ethics helpline. Our commitment to engaging with the wider workforce continues and Dame Sue Owen DCB, as the Board's designated Non-Executive Director for Employee Voice, supported by our HR team, ensures that the Board understands employee perspectives and issues. The overall engagement score from this year's Group-wide engagement survey, Viewpoint, was high at 72 and we received 13,565 'Tell the Board' comments, which were considered as part of a deep dive undertaken by the Board on the Viewpoint outputs.

Regular engagement is sought with major shareholders, primarily through the Executive Directors, following the announcement of the full and half year results; and also through the Board Chair, who is available to major shareholders; and the Chair of the Remuneration Committee who consults with shareholders, as appropriate. The Board Chair meets shareholders during the annual governance roadshow and NEDs have the opportunity to meet investors at the full and half year results. The outcome of such engagement is shared to ensure that the Board as a whole has a clear understanding of the views of shareholders.

Corporate Governance continued

During the year, accompanied by other members of the Board, the Board Chair attended a number of meetings with shareholders to discuss a range of matters, including governance and remuneration.

We value the input received from shareholders, which helps us to shape our approach to governance and to ensure our disclosures meet their specific requirements, in addition to those required by regulation.

Further information about how the Board engaged with stakeholders and how stakeholder feedback has influenced Board decisions is set out in the Section 172 Statement on pages 74 and 75.

Relations with shareholders

The Group Head of Investor Relations maintains regular, open and transparent dialogue with institutional investors and sell-side analysts. He has access to the Group Chief Executive and Group CFO who are available for meetings with shareholders and frequently attend industry conferences. They also meet with shareholders to discuss relevant developments in the business at our post-results roadshows; through our programme of investor meetings; and with our debt investors, including lending banks and US private placement note holders. Feedback received from this engagement with shareholders, debt investors, analysts and proxy advisers is provided to the Board as part of the rolling agenda of matters considered throughout the year. The Group Chief Executive and the Group CFO had more than 90 meetings with investors in 2024.

We also consult with investors and fund managers to seek their views and actively engage with proxy advisers and ESG analysts to provide feedback on specific topics.

During 2024, Serco facilitated a site visit with investors (hosted by Investec) to Portsmouth Maritime Services. Investors had the opportunity to see up-close how embedded and crucial Serco's auxiliary services are to The Royal Navy and UK Ministry of Defence. The attendees provided positive feedback.

Further details can be found in the Section 172 Statement on pages 74 and 75.

Annual General Meeting

Our AGM will be held on 24 April 2025 at the offices of Clifford Chance, 10 Upper Bank Street, London E14 5JJ at 10am. The Annual Report and Accounts and Notice of the AGM will be sent to shareholders at least 20 working days prior to the date of the meeting.

Shareholders are encouraged to participate in the AGM process and all resolutions will be proposed and voted on at the meeting on an individual basis by shareholders or their proxies. Voting results will be announced and made available our website. At the 2024 AGM, all resolutions were passed with at least 83% of votes in favour.

Shareholders may require the Directors to call a general meeting other than an AGM as provided by the Companies Act 2006. Requests to call a general meeting may be made by members representing at least 5% of the paid-up capital of the Company as carries the right of voting at general meetings of the Company (excluding any paid-up capital held as treasury shares).

A request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting.

A request may be in hard copy form or in electronic form and must be authenticated by the person or persons making it. A request may be made in writing to the Group Company Secretary to the registered office or by sending an email to agm@serco.com. At any general meeting convened on such request, no business shall be transacted, except that stated by the requisition or proposed by the Board.

Workforce policies and practices

The Board is supported by its Committees to ensure that workforce policies and practices are consistent with the Company's core values and support its long-term sustainable success. The Board monitors and assesses culture to ensure that it is aligned to Serco's continued commitment to its employees. The Board, with the support of its Committees, approves key policies and practices which impact the workforce and drive their behaviours. Training is provided to employees to ensure that the policies are embedded within the culture. Further details of workforce policies and practices are included in the People and Culture and Impact sections.

Speak Up

Serco has established procedures by which employees may, in confidence, raise concerns relating to possible improprieties in matters of financial reporting, financial control or any other matter. The Audit and Corporate Responsibility Committees are responsible for monitoring Serco's whistleblowing arrangements and regularly report to the Board on their activities. Further details are provided in the Impact section.

Division of Responsibilities

Roles of the Chair, Senior Independent Director and Group Chief Executive

The roles of Chair and Group Chief Executive are distinct and held by different people, with a clear division of responsibilities agreed by the Board and formalised in a schedule of responsibilities for each.

The roles and responsibilities of the Board and its Committees are clearly defined, documented, approved by the Board and are available on our website.

Details of the activities of each of these Committees are set out in their reports elsewhere within this Annual Report.

The Board Chair, who was independent on his appointment, leads and is responsible for the operation of the Board. The Group Chief Executive is responsible for the leadership and management of the business within the authorities delegated by the Board. Their respective responsibilities are documented and regularly reviewed.

The Senior Independent Director (SID) provides a sounding board for the Board Chair, supporting on all governance issues including the annual Board performance review and the Board Chair's performance review. The SID also acts as an additional communication channel between the Board Chair and NEDs and, when required, major shareholders.

Corporate Governance continued

Balance and independence
The Board comprises seven Non-Executive Directors (NEDs), the Board Chair and two Executive Directors. All of the NEDs, including the Board Chair, have been determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the relevant individual's judgement.

The Board regularly reviews the overall balance of skills, experience, diversity, independence and knowledge of Board and Committee members and undertakes an annual review of the independence of its NEDs. Any NED who does not meet the independence criteria will not stand for election or re-election at the AGM.

Non-Executive Directors' terms of appointment and time commitment
NEDs are appointed for terms of three years, subject to annual re-election by shareholders. The initial term may be renewed up to a maximum of three terms (a total of nine years).

The terms of appointment of NEDs specify the amount of time they are expected to devote to the business, which is a minimum of 30 days per annum calculated based on the time required to prepare for and attend Board and Committee meetings, the AGM, meetings with shareholders and training.

NEDs are also committed to working additional hours as may be required in exceptional circumstances and are required to confirm annually that they continue to have sufficient time to devote to the role. No Director holds more than four directorships on the boards of publicly-listed companies.

External directorships
The Company has a policy which allows the Executive Directors to accept directorships of other quoted companies and to retain the fees paid, provided that they have obtained the prior permission of the Board Chair. In accordance with the Code, and to ensure sufficient time is devoted to their executive role, no Executive Director would be permitted to take on more than one non-executive directorship in a FTSE company or the chairmanship of such a company.

A review of the NEDs' external commitments, taking account of the views of institutional investor bodies, was undertaken from which it was concluded that each of the Company's NEDs was able to dedicate sufficient time to undertake their duties on behalf of the Company.

Conflicts of interest
Every Director has a duty to avoid a conflict between their personal interests and those of the Company. The provisions of Section 175 of the Companies Act 2006 and the Company's Articles permit the Board to authorise situations identified by a Director in which he or she has, or may have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. The Board undertakes regular reviews of the external positions and interests held in and arrangements made with third parties by each Director and, where appropriate, authorises such conflicts. Notwithstanding the above, each Director is aware of their duty to notify the Board should there be any material change to their positions or interests during the year. Potential and actual conflicts of interest are considered at Board meetings and, where appropriate, at Committee meetings. Directors do not participate in Board discussions or decisions which relate to any matter in which they have, or may have, a conflict of interest.

Directors' indemnities
The Company maintains Directors' and Officers' liability insurance. As permitted under the Articles and in accordance with best practice, deeds of indemnity have been executed indemnifying each of the Directors and the Group Company Secretary in respect of their positions as officers of the Company as a supplement to this insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006, remain in force for all current Directors and the Group Company Secretary.

Board composition and succession
The size and composition of the Board is kept under review by the Nomination Committee and the Board to ensure that an appropriate balance of skills and experience are represented.

The Board may appoint a Director, either to fill a vacancy or as an addition to the existing Board as set out in the Articles; any amendment to the Articles requires shareholder approval. All appointments to the Board are made on the recommendation of the Nomination Committee and are subject to a formal, rigorous and transparent procedure. Succession plans are also considered by the Nomination Committee. Appointments and succession plans are based on merit and objective criteria and, within this context, promote diversity of gender, social and ethnic backgrounds, as well as cognitive and personal strengths. The Nomination Committee Report on page 87 provides further details on the process for appointing Board Directors, succession planning and diversity.

Board Performance Review
An externally-facilitated Board performance review was conducted by Gould Consulting[4]. The process included a questionnaire, one-to-one interviews, observations of a meeting of the Board and each of its Committees and a review of meeting agendas and minutes. A group session was also held with members of the Group Executive Committee. A report was then shared with the Group General Counsel, Group Company Secretary and the Board Chair.

Gould Consulting concluded that Serco's Board is highly effective. They observed that the Board Chair was able to get to the heart of issues that matter and find ways to make interventions both within and outside the formality of the Board to good effect. The NEDs interviewed also reported that they find it stimulating and satisfying to be members of the Board; collectively, the NEDs have developed an interactive, fluent, open and questioning style of engagement amongst themselves and with those who periodically attend the Board. Gould Consulting also made suggestions around agenda management and potential Committee simplification; and recommended that with some NEDs due to retire and the current composition of the Board due to change as a result, it may be a good time to consider whether a more diverse set of skills may be required.

4. Gould Consulting has no other connection with the Company or individual Directors.

Nomination Committee Report

John Rishton

Nomination Committee members
John Rishton (Chair)
Kirsty Bashforth
Kru Desai
Ian El-Mokadem
Victoria Hull
Tim Lodge
Dame Sue Owen DCB
Lynne Peacock

Dear Shareholders

I am pleased to present the Committee's report this year. During the year we appointed an independent Non-Executive Director (NED), Victoria Hull, to help strengthen your Board.

Further information on Victoria's skills and experience are provided in her biography on page 81 of this Corporate Governance Report and details of the selection process we followed and our approach to Board and senior leadership succession are provided later in this report.

We have also recently announced the retirement of our Group Chief Executive Mark Irwin with effect from 28 February 2025; and the appointment of Anthony Kirby as Group Chief Executive with effect from 1 March 2025.

Committee responsibilities

The Committee is responsible for leading the process on the appointment of new members of the Board and to ensure that plans are in place for orderly succession to both the Board and senior management positions as well as overseeing the development of a diverse pipeline for succession.

The Committee's Terms of Reference are available on our website.

Membership and attendees

The Committee is comprised of independent NEDs and their biographical details are provided on pages 79 to 81. In addition to the members of the Committee, the Group General Counsel and the Group Company Secretary attended each meeting. The Committee held two formal meetings during the year; discussions relating to succession were held over dinner. Details of attendance at meetings are set out on page 77.

Activities of the Committee during 2024

The Committee's key activities included appointment of a new NED, succession planning (over dinner), a review of conflicts of interest, NED tenure and review of the Board Diversity Policy.

Appointment, induction and training

Victoria Hull was appointed to the Board on 1 September 2024. An external search firm[1] was engaged to assist with the appointment process. The firm was given instructions that aligned with our Board Diversity Policy. The firm provided a long list of potential candidates which was discussed and filtered. A shortlist of those candidates were interviewed resulting in Victoria Hull being recommended to the Board for appointment.

The Committee is responsible for ensuring that an appropriate induction is provided to new Board members. The induction programme is specifically tailored to the needs of the incoming Director and includes an overview of the Board's policies and procedures, meetings with senior management and subject matter experts; and contract site visits. Victoria Hull's induction is ongoing.

Training is provided to the Board on a range of governance and other matters at Board and Committee meetings and in other forums. Access to online seminars and training was made available to and undertaken by Directors throughout the year covering areas such as Corporate Governance updates and upcoming regulatory and legal changes. A record is maintained of the training undertaken by each Director.

Individual training needs are identified as part of the annual appraisal process and Directors are encouraged to take advantage of both internally and externally provided training opportunities.

The Company believes that visits by NEDs to the Company's contracts, leadership conferences and Management meetings are important for increasing NEDs' awareness of the Company's operations and their accessibility to the Group's employees. A number of such contract visits were undertaken in 2024, some virtual. In addition, the Board met in North America for the May Board and Committee meetings and used the opportunity to spend time with the local management team formally and in social settings.

Diversity

The Board values diversity and has established a Board Diversity Policy, which is periodically reviewed. The percentage of women on the Board is currently 50%, exceeding the target of 40% set by the FTSE Women Leaders Review; the Company also meets the target set by the Parker Review with three Directors from an ethnic minority background. In addition, our Senior Independent Director is female. However, the Board is aware that it would be beneficial to broaden its diversity in other respects and this will continue to be a key focus as the Committee looks to broaden and refresh the Board.

The Board is committed to ensuring the development of gender and ethnic diversity within the Company's senior management and reviews progress annually.

We have included additional data on gender and ethnicity representation on page 88. Further details on diversity in senior management and the workforce are provided in the Impact performance and data disclosure 2024 on pages 214 to 220 and in the standalone Impact Report available on our website.

1. Russell Reynolds Associates, which has no other connection with the Company or individual Directors.

Nomination Committee Report continued

Diversity data

Our gender identity and ethnicity data in accordance with Listing Rule 6.6.6R as at 31 December 2024 is set out below. Board and ExCo members are asked to complete a diversity disclosure to confirm which of the categories set out below they identify with. The Group Company Secretary is not a member of ExCo.

Numerical gender data

Board and executive gender representation	Number of Board members 2023	Number of Board members 2024	Percentage of the Board 2023	Percentage of the Board 2024	Number of senior positions on the Board (CEO, CFO, SID and Chair) 2023	Number of senior positions on the Board (CEO, CFO, SID and Chair) 2024	Number in Executive Management 2023	Number in Executive Management 2024	Percentage of Executive Management 2023	Percentage of Executive Management 2024
Men	5	**5**	56	**50**	3	**3**	7	**8**	70	**73**
Women	4	**5**	44	**50**	1	**1**	3	**3**	30	**27**
Other Categories	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Not Specified/Prefer not to say	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**

Numerical ethnicity data

Board and executive ethnicity representation	Number of Board members 2023	Number of Board members 2024	% of the Board 2023	% of the Board 2024	Number of senior positions on the Board (CEO, CFO, SID and Chair) 2023	Number of senior positions on the Board (CEO, CFO, SID and Chair) 2024	Number in Executive Management 2023	Number in Executive Management 2024	Percentage of Executive Management 2023	Percentage of Executive Management 2024
White British or other White (including minority-white groups)	6	**7**	67	**70**	3	**3**	8	**9**	80	**82**
Mixed/Multiple Ethnic groups	2	**2**	22	**20**	1	**1**	1	**1**	10	**9**
Asian/Asian British	1	**1**	11	**10**	0	**0**	0	**0**	0	**0**
Black/African/Caribbean/Black British	0	**0**	0	**0**	0	**0**	1	**1**	10	**9**
Other ethnic group, including Arab	0	**0**	0	**0**	0	**0**	0	**0**	0	**0**
Not specified/prefer not to say	0	**0**	0	**0**	0	**0**	–	**0**	–	**0**

Board balance

The Committee regularly reviews the skills, knowledge, experience and diversity of the Board and its Committees to ensure that the Board is collectively well placed to meet the strategic objectives of the Company and the challenges and opportunities that are likely to arise in meeting these objectives.

Further details of the skills and experience of the Board that are relevant to the Company are set out on page 78. This followed a skills assessment undertaken in 2024.

2025 priorities and focus

During 2025, the Committee will oversee NED Succession Planning (particularly the Board Chair whose nine-year tenure expires in September 2025) to ensure that the Board is adequately refreshed; monitor implementation of the feedback from the externally-facilitated Board performance review; and oversee the transition of Anthony Kirby as Group Chief Executive and that of the Chief Executive Officer of the UK & Europe Division.

John Rishton

Chair of the Nomination Committee

26 February 2025

Audit Committee Report

Tim Lodge

Audit Committee members
Tim Lodge (Chair)
Kru Desai
Ian El-Mokadem
Lynne Peacock

Dear Shareholders

I am pleased to present the Committee's report for the year ended 31 December 2024. This review gives an insight into how the Committee addressed significant issues during the year, which were reported to the Board as a matter of course, and how other responsibilities of the Committee were discharged. The Committee continues to have a fundamental role to play in reviewing, monitoring and challenging the effectiveness of the Group's financial reporting, internal controls and external audit.

During the year, the Committee oversaw and challenged a range of finance, accounting and control related reviews concerning specific risks identified within the Group's operations through its Internal Audit and Financial Assurance programme. We reviewed the work done by Management and auditors to remove a number of bottlenecks, including those in joint ventures, that had affected the previous year close and audit and were pleased to see that they led to significant improvements to mitigate this risk, and the External Audit process was effectively delivered.

Joint meetings were also held with the Risk Committee. At these meetings, the Committee members jointly reviewed the integration of the Group's risk and assurance programmes and how the Group is developing its Integrated Assurance Framework (IAF) in preparation for the changes to the UK Corporate Governance Code (the Code) applicable from 2026 onwards. We continued to refine the role of Internal Audit to evolve alongside this framework and on how to conduct reviews of thematic risks across a diverse range of activities.

Audit tender

In last year's report, the Committee outlined its intention to tender the external audit. A robust audit is the Committee's top priority and, whilst KPMG decided not to participate in the tender, we commend them on the improvements they have made to their audit process. During the tender process, the Committee carefully considered the quality of the bidders' audit processes, their understanding of the contracting industry, the strength and depth of their international capability and the ability to appropriately challenge Management.

The tender process undertaken during 2024 is outlined on page 93 and I would like to thank everyone involved in its successful execution. The Committee chose to recommend EY, having demonstrated a deep understanding of our operations and industry as well as a commitment to audit quality. Subject to approval by shareholders at the AGM, EY will be appointed as our new external auditor for the year ending 31 December 2025 and I look forward to working with them.

Having completed their final year as our external auditor, I would like to thank the KPMG audit team, past and present, for their challenge and support over the years.

2025 priorities and focus

With the change in external auditor, the Committee will ensure that an effective transition process is undertaken and that an effective audit process is delivered, with any new learnings, and process or control improvements taken into consideration by Management. The Committee will also work closely with the Risk Committee to ensure that the Company's risk management and internal control framework is operating effectively in preparation for the changes to the Code from 1 January 2026 onwards.

Additionally, throughout 2025, the Committee will continue to focus on the critical accounting judgements made; the effectiveness of the Group's financial controls and assurance programme, including activities within its joint ventures given their increase in scale; and the delivery and effectiveness of the Group's Internal Audit function.

Tim Lodge
Chair of the Audit Committee
26 February 2025

Audit Committee Report continued

Committee responsibilities

The Committee supports the Board in fulfilling its responsibilities including overseeing the Group's financial reporting processes; reviewing, challenging and approving significant accounting judgements proposed by Management; assessing the way in which Management ensures and monitors the adequacy of financial and compliance controls; the appointment, remuneration, independence and performance of the Group's external auditor; and the independence and performance of the Group's Internal Audit function.

In May 2023, the Financial Reporting Council (FRC) published the Audit Committees and the External Audit: Minimum Standard. Whilst not yet mandatory, the Committee believes that it currently discharges its responsibilities in line with the requirements, including how the audit tender process undertaken in 2024 was delivered. Nevertheless, the Committee will keep the requirements under review and consider any improvements required.

The Terms of Reference for the Committee are available on our website.

Membership and attendees

The Committee is comprised of Independent Non-Executive Directors. Between them, the members of the Committee bring strong international, service and public sector expertise and experience which is highly relevant to the Group. Tim Lodge has served as Chair of the Committee since April 2021 and has recent and relevant financial experience, as required by the Code. Biographical details for each member of the Committee are provided on pages 79 to 81.

In addition to the members of the Committee, the Group Chief Financial Officer (CFO) and other members of the Board, the Group General Counsel, the Group Company Secretary, the Group Head of Internal Audit, other Management personnel and representatives of the Group's external auditor, KPMG, attended and received papers in advance for each meeting as required. The Committee allocated time at the end of each meeting to have discussions without Management present and invite either the Group Chief Financial Officer, Group Head of Internal Audit or KPMG to attend for part of this session. The Committee Chair also meets with Management (including the Group Head of Internal Audit) and external auditors prior to each meeting.

The Committee met seven times during the year including a meeting to discuss the outcome of the external audit tender process. In addition, joint meetings were held with the Risk Committee. The details of attendance at meetings are set out on page 77.

Activities of the Committee during 2024

The list below summarises the activities covered by the Committee to fulfil its responsibilities:

- **Financial Statements:** Reviewed and recommended for Board approval the Annual Report and Accounts, 2024 Half Year Results, and associated preliminary announcements, focusing on key financial judgments, disclosures and whether the reports are fair, balanced and understandable.
- **Going Concern and Viability Statements:** Ensured the Going Concern and Viability Statements accurately reflected the Group's risks and that the assumptions used were appropriate. Endorsed both statements for Board approval.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Reviewed the TCFD disclosure in the Annual Report and Accounts.
- **Accounting Updates:** Received updates on accounting developments, financial, and climate reporting.
- **Internal Audit:** Reviewed the Internal Audit Charter, annual plan, and internal audit findings, ensuring that they were appropriately addressed.
- **Financial Controls:** Assessed the effectiveness of the Group's financial controls and assurance program, focusing on the control environment of the Group's material joint ventures. Considered changes to the Code relating to internal controls.
- **Joint Audit and Risk Committee:** Received updates on the development of the Integrated Assurance Framework (IAF).
- **Fraud Matters:** Reviewed any fraud-related issues, including those raised through the Speak Up process.
- **External Auditor:** Recommended to the Board the reappointment of KPMG for the 2024 audit, approved the audit fee, assessed the audit strategy and plan, considered regular updates on audit progress and KPMG's view on financial judgments taken, endorsed the representation letter signed on behalf of the Board. The Committee and Chair held regular private sessions with KPMG.
- **Non-audit fees and independence:** Reviewed non-audit fees incurred with the external auditor and assessed their independence and objectivity.
- **Audit Tender:** Convened a Selection Committee, reviewed the audit tender plan, received updates, reviewed tender submissions and presentations, and recommended the appointment of EY to the Board for the 2025 audit.
- **Tax Strategy:** Oversaw the Group's tax strategy, including uncertain tax positions, tax audits, historic tax losses, and compliance with tax legislation.
- **Treasury Strategy:** Reviewed and approved the Financing strategy and Treasury Policy.
- **Management of Information Technology (including Cyber Security):** Received updates on the Group's approach to Information Technology, particularly in relation to assurance and internal control.
- **Training:** Reviewed the approach to global standardised training and the use of technology.

Performance review

The Committee's effectiveness was reviewed as part of the Board's annual performance review. The findings from the review were mainly positive with it being noted that the Committee is sufficiently informed of the risks identified by the internal and external auditors and that the Committee review of key judgements is rigorous. The level of information received at the Committee is considered to be sufficient with appropriate opportunity to challenge both Management and the external auditors. Areas of improvement centred around the external audit process, particularly given the challenges in completing the audit on time for the 31 December 2022 and 31 December 2023 financial statements.

Internal control environment

The Committee oversees the Group's internal control environment and evaluates its effectiveness. It regularly receives updates on internal controls and considers making recommendations to the Board based on its findings.

The Group has both a Financial Assurance function and an Internal Audit function, both of which regularly contribute to Committee meetings. The Committee reviews Financial Assurance findings and provides guidance to direct their work. Similarly, it receives Internal Audit reports regularly and may invite management teams from various functions, divisions, and business units to discuss these findings.

Audit Committee Report continued

The Committee is also responsible for reviewing and approving the annual Internal Audit programme and assessing the adequacy of the functions resources and scope.

Management is also well progressed in the process of reviewing the risk and assurance framework across the Group and their proposal was discussed at joint Audit and Risk Committee meetings held during the year. The objective of the project is to ensure there is an effective risk management process within the Group and that the Group is well prepared for the changes to the Code effective from 1 January 2026.

Internal Audit

Internal Audit is an independent function that evaluates the Group's governance, risk management, and control activities. It helps Management, the Committee, and the Board discharge their duties to maintain effective internal controls and risk management, and protect the Group's assets and interests. The Internal Audit Charter outlines its role and is reviewed annually.

The Group Head of Internal Audit reports to the Committee Chair. In North America, a local internal audit team maintains independence through reporting to the Serco Inc. Audit Committee, chaired by the Group CFO. Internal Audit also uses external providers for specialised skills such as IT and cybersecurity.

The Internal Audit Plan is risk-based and approved annually by the Committee. It covers contracts, processes, functions and specific risks. The Committee receives updates on the plan's execution, findings and Management's responses. In 2024, audits included business controls, support functions, change programs, financial controls and IT operations.

The Committee assesses the performance and effectiveness of internal audit during the year through the approval of the internal audit plan, periodic reports on its work to the Committee and private sessions between the Committee and Group Head of Internal Audit. The Committee concluded that Internal Audit has been effective in the context of the Group's overall assurance framework.

Financial assurance

The Group aims to have a strong and well-monitored control environment that minimises financial risk and, as part of the Committee's responsibilities, it reviews the effectiveness of systems for internal financial control and financial reporting. Where relevant, the Committee also works with the Risk Committee to consider financial risk management and the Corporate Responsibility Committee to the extent that matters such as fraud are reported through the Speak Up process.

The Committee monitored financial control risk during 2024 with particular focus on:

- Management's review of the output and adequacy of the Group's financial assurance programme;
- Management's ongoing programme to improve internal controls; and
- review of Management's Key Risk Indicators associated with the risk and the strength of mitigating controls and actions to improve their effectiveness.

Following review and challenge, the Committee believes that, to the best of its knowledge, the financial control framework and the monitoring of this framework has worked effectively during the year, and that in cases of non-compliance, the Group has not been exposed to critical, severe or significant risk.

As noted on page 65 of the Strategic Report, reflecting the improvements made in the control environment, Financial Control Failure has been removed as a principal risk of the Group and will be monitored as an enterprise level risk.

Financial reporting

The Committee concluded that, in its opinion, the information presented in the Annual Report and Accounts and half-year financial results, when taken as a whole, is fair, balanced and understandable and contains information necessary for shareholders to assess the Group's position and performance, business model and strategy. To arrive at this conclusion and to form a basis upon which to make a recommendation to the Board, the following was considered:

- the effectiveness of the disclosure controls and procedures designed to ensure that the Annual Report and Accounts complies with all relevant legal and regulatory requirements;
- comprehensive reviews by different levels of management, including subject matter experts as well as the Committee's own reviews;
- the internal verification process led by the financial assurance team;
- the management representation letter to the external auditor; and
- the findings and opinions of the external auditor.

In November 2024, the FRC wrote to the Company following a review of the Group's interim report for the period ended 30 June 2024. The Committee was pleased to note that no formal questions or queries were raised that required a response from the Company with only several recommendations provided to enhance the existing reporting.

Audit Committee Report continued

Significant accounting issues and areas of financial judgement

The significant accounting issues and areas of judgement considered by the Committee during the year, and how these were addressed, are as follows:

Significant accounting issues and areas of financial judgement	How these were addressed by the Committee
Contract performance, including Onerous Contract Provisions (OCPs)	
The measurement of OCPs is underpinned by assumptions regarding the future operational performance of a contract and possibly the outcome of commercial discussions all of which may involve significant judgement by Management. The Committee considers whether an OCP exists at each reporting period end.	The Committee reviewed and challenged the view formed by Management regarding each individually material potential OCP, as well as the aggregate view, which includes Management's assessment of portfolio risk, and concluded they were reasonable. The Committee was satisfied that the work undertaken by Management to monitor existing contracts and identify contracts where a new OCP may be required, and associated allocation of central costs, was sufficiently robust.
Goodwill Impairment	
The Group has goodwill arising from acquisitions allocated across four cash generating units (CGUs). The Committee evaluate the recoverability of this goodwill formally at the end of each financial year and consider whether impairment indicators exist at the half year.	The Committee reviewed and challenged Management on the cash flows and assumptions used in the impairment assessment of goodwill as outlined in Note 16 to the Consolidated Financial Statements. The Committee concurred with Management's assessment that an impairment of £114.5m was required for the Asia Pacific CGU, while the carrying value of goodwill for the remaining CGUs was supportable. In arriving at this conclusion, particular consideration was given to the impact of material new business and contract rebids in the context of historic win rates. The Committee reviewed the corresponding disclosures and noted that they give appropriate detail over the range of plausible outcomes that could have been reached in the assessment, and that the disclosure of the impairment charge as an exceptional item was deemed in line with the consistent application of the Group's accounting policies. The Committee also reviewed the recognition of the Australian deferred tax asset in light of the impairment charge, and concluded that it was appropriate as there was an expectation of future profits against which the tax deductions would be used.
Defined Benefit Pension Schemes	
The Group's defined benefit pension schemes include a number of significant estimates and judgements, principal amongst which is the assumptions underpinning the liabilities and the valuation of assets without market observable prices.	The Committee considered the process undertaken by Management to arrive at the key assumptions underlying the valuation of defined benefit obligations as detailed in note 29 of the Consolidated Financial Statements. The Committee is satisfied that the assumptions used remain appropriate and balanced based on comparison to observable benchmarks in the market and advice taken from independent actuaries. The Committee has also reviewed the approach taken to value scheme assets. The Committee is satisfied that the valuations included within these financial statements are reasonable and reflect the best estimate of the schemes' assets and liabilities, and that the disclosures are appropriate.

Viability and Going Concern

The Committee considered Management's assessment in respect of the viability and going concern statements, focusing on the Group's headroom within its financial covenants and available liquidity. The Committee considered the likely severity of key risks crystallising over the period of assessment, including potential reductions in forecast win rates and profit margins.

The Committee concluded that, despite severe scenarios potentially pressuring the Group's headroom, the Group remains viable. Key assumptions are disclosed within the viability statement on pages 72 and 73.

The Committee also agreed that the going concern basis of accounting is appropriate, as disclosed within the going concern statement on pages 141 and 142. Both statements were endorsed for recommendation to the Board.

External auditor

The Committee oversees the relationship with the Group's external auditor, recommends their appointment to the Board, assesses their effectiveness and independence, and agrees on the audit's scope and fee.

Following a tender process undertaken in 2016, KPMG was appointed as the Group's external auditor for the 2016 Annual Report and Accounts and has served for nine years.

Juliette Lowes, the Group Engagement Partner, was appointed in 2023 and has completed two year-ends. The Committee has satisfied itself that the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Processes and Audit Committee Responsibilities) Order 2014. Under these requirements a tender for the 2026 external audit should be undertaken; however, during the year the Company commenced and completed a formal tender process for the 2025 audit, details of which are included on page 93.

Oversight of external audit

In respect of the audit scope and materiality, the Committee reviewed the audit strategy as presented by KPMG and found it to be comprehensive and focused on the key risks within the Group. The Committee did not require any further areas of focus to be considered with respect to key judgements and estimates. However, consistent with the 2023 audit, the Committee continued to monitor the delivery of the audit timetable, ensuring that issues were closed out appropriately, efficiently and on a timely basis. The Committee also reviewed and challenged reports from KPMG, which, in addition to its risk assessments and audit plans, included audit findings and Management responses. The Committee and Chair held regular private sessions with KPMG without Management in attendance.

Audit Committee Report continued

The Committee challenged the fee increase and supporting documentation received from KPMG and, after significant debate, concluded that it would be accepted.

The Independent Auditor's Report to shareholders is set out on pages 125 to 134.

External auditor effectiveness and quality

The Committee did not perform a formal evaluation of the effectiveness of KPMG due to the audit tender process taking place, however, ensured that the learnings from the 2023 audit were actioned.

The FRC's Audit Quality Review (AQR) selected the external audit by KPMG LLP of the Group's Annual Report and Accounts for the year ended 31 December 2023 for review as part of its annual inspection of audit firms. The AQR covered matters relating to planning, completion and reporting, including the quality of communication with the Audit Committee. The review focused on revenue and profit recognition particularly in relation to the UK & Europe component audit as well as the Group audit work over the recoverability of goodwill and deferred tax assets. The AQR's report highlighted good practices in respect of certain aspects of KPMG's audit with no findings for the Audit Committee to consider further.

Following a review of KPMG's audit strategy, the Committee was satisfied that the auditor demonstrated appropriate qualifications and expertise, remained independent of the Group, and had appropriate focus on the key issues within the Group. The external auditors continued to challenge the level of prudence adopted in contract judgements, which were deemed to be balanced overall. However, those judgements which were slightly cautious or optimistic were highlighted to the Committee for consideration. No judgements were reported to be outside the auditor's acceptable range.

Audit tender

As announced in the 2023 Annual Report and Accounts, the Company undertook a formal tender process for the 2025 audit during the year. The tender was overseen by a Selection Committee comprising the members of the Audit Committee, Group CFO and Group Financial Controller. The Selection Committee took due consideration of the FRC's 'Audit Tenders: Notes on Best Practice', following the below process:

1. Three of the big four and three mid-tier accounting firms were approached to participate in the tender process based on their experience of auditing large-listed companies and geographical reach. Two big four firms, EY and PwC, were asked to formally tender. KPMG were invited to participate in the tender process, however, chose to decline this invitation. No mid-tier firms chose to participate predominantly citing capacity constraints in delivering an audit of this scale.
2. Participating firms held individual discussions with Audit Committee members and the Board Chair to understand the risks associated with the business and to provide insight into the audit processes of the firms.
3. A virtual data room was made available and the participating audit firms were invited to meet members of Management, both finance and non-finance. In addition, key Serco personnel within the Group's divisions met with the prospective local audit partners. Following these sessions, feedback on the audit firms was sought from Management.
4. A contract visit was arranged for the participating firms to provide insight on the nature of the Group's operations and industry.
5. The Selection Committee received presentations from each audit firm following their submission of tender documents. Both firms were asked to outline their audit process, ways of working, how they maintained audit quality, and how they intend to implement technology and analytics into the audit.
6. A scorecard designed to aid the decision-making process was completed for each audit firm, grading the experience of the Audit Partner and team, their understanding of the Group, its operations and industry, and how they intend to deliver high quality assurance.

The Committee acknowledged the high quality and enthusiasm which both firms brought to the tender and concluded that EY showcased strong knowledge of the Group's operations, relevant experience within a contracting business, and a robust audit approach which had been well planned following detailed review of the information provided within the virtual data room. In key divisions, the experience of the local audit partners was taken positively by the Selection Committee. Overall, EY demonstrated a commitment to delivering a high quality, focused audit, and the Committee recommended to the Board that EY be appointed as Serco Group plc's external auditor for the financial year ending 31 December 2025, subject to shareholder approval. A timetable and plan have been developed to ensure the effective and efficient transition of the audit from KPMG to EY.

Independence and non-audit services

The Group's policy on the use of KPMG to deliver non-audit services has been designed to comply in full with the requirements of the FRC's Revised Ethical Standard 2019 (Ethical Standard). The Committee limits the non-audit work undertaken by the external auditor, approving only those which are required either by law or regulation, or due to contractual requirements. In limited circumstances, the use of the external auditor may be permitted where it is materially more efficient for them to be engaged, as opposed to another third party, due to the work completed in relation to the audit, provided it is permitted by the Ethical Standard.

The policy also states that the Committee has pre-approved the Group CFO to have authority to commission the external auditors to undertake non-audit work, in accordance with the Group policy, where there is a specific project with a cost that does not exceed £20,000.

The Committee regularly reviews the nature of non-audit work performed by the external auditor and the volume of that work. Focus is given to ensuring that engagement for non-audit services does not: (i) create a conflict of interest; (ii) place the auditor in a position to audit their own work; (iii) result in the auditor acting as a manager or employee; or (iv) put the auditor in the role of advocate for the Group. The Committee also considers the independence confirmation received from the external auditor which outlines the permissible non-audit services delivered, the safeguards put in place and any other matters related to wider compliance with the FRC's ethical standard such as employment and rotation requirements. The Committee is satisfied that there were no non-audit services or other matters which prejudiced the independence or objectivity of KPMG.

For the financial year ended 31 December 2024, the non-audit fees paid to KPMG were £6k (2023: £135k) excluding the half-year review. The non-audit services relate to Agreed Upon Procedures required to be performed under certain customer contracts. The fee for the half-year review, which is designated an audit-related assurance service was £612k (2023: £440k).

An analysis of fees paid in respect of audit and non-audit services provided by the external auditor for the past two years is disclosed on page 163.

Risk Committee Report

Ian El-Mokadem

Risk Committee members
Ian El-Mokadem (Chair)
Kirsty Bashforth
Tim Lodge
Dame Sue Owen DCB

Dear Shareholders

The Committee continued to oversee the effectiveness of the Group's risk management framework and internal controls during the year. Further details are included below.

Committee's responsibilities

The Committee advises the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective geopolitical and financial environments.

The Committee's Terms of Reference are available on our website.

Membership and attendees

The Committee is comprised of independent Non-Executive Directors; there were no changes made during the year. Biographical details for each member of the Committee are provided on pages 79 to 81. The Committee met four times during the year. In addition, two joint Audit and Risk Committee meetings were held to provide holistic oversight of assurance activities and to maintain oversight of the programme of work underway to further mature our approach to assurance. Details of attendance at meetings are set out on page 77.

Committee meetings are held in advance of Board meetings, with the Committee Chair updating the Board directly on the outcomes of each meeting. Meetings of the Committee are attended by the Group Chief Executive, Group General Counsel, Group Company Secretary, Group Director Risk and Assurance and the Group Head of Internal Audit. The Board Chair also attended meetings.

Each Divisional Head of Compliance is invited to attend a private session with the Committee, without Management present, providing an opportunity for open discussion and for any concerns or issues to be raised.

Activities of the Committee during 2024

During the year, the Committee continued to oversee the effectiveness of the Group's risk management framework and internal controls. It also continued to review the Group's risk profile on a quarterly basis holding focused in-depth reviews (deep dives) and considering the key changes and trends for the following risks; Significant Failure of Supply Chain; Contract Non-Compliance, Non-performance and Misreporting; Catastrophic Incident; Major Information Security Breach; and Failure to Grow Profitably. The principal risks of Failure to Attract, Recruit and Retain, Failure to Act with Integrity, and Health, Safety and Wellbeing were reviewed by our Corporate Responsibility Committee. The principal risk of Financial Control Failure was reviewed by our Audit Committee and additional sessions on Failure to Grow Profitably and Major Information Security breach were reviewed by the Board.

Following consideration of internal and emerging risks and themes, which included treatment of ESG, climate change, political volatility, and geopolitical uncertainty, the Committee approved amendments to the Principal Risk definitions and the creation of two new risks, Strategic Technology Risk and Contract Performance, as recommended by the Group Executive Committee. Further information is provided on pages 65 to 71. We have received updates from each Division on risk management processes, including alignment of their risks to the Group Principal Risks and progress against their annual Compliance Assurance testing programme.

At each of our meetings, the Group Director Risk and Assurance provided updates on the enhancements introduced under the Integrated Assurance Framework (IAF) programme to further embed the Enterprise Risk Management Framework (ERM) across the Group and the preparations to comply with changes relating to Provision 29 of the UK Corporate Governance Code (the Code) and the associated requirements for material controls attestation; the Governance, Risk and Compliance (GRC) tool has now been implemented across the Group to better support the Business Unit, Functional, and Divisional ERM process. As part of this report, the Committee also has oversight of the compliance assurance programme, including monitoring key findings and process.

Following the appointment of Tom Read to the Group Executive Committee as Group Chief Digital and Technology Officer, we have also made some changes to the Executive Sponsors of our Principal Risks. The Executive Sponsor for each risk is provided on pages 66 to 71.

The Committee conducted its annual performance review and the findings were mainly positive; the minor suggestions for improvement will be addressed.

2025 priorities and focus

- Working closely with the Audit Committee, focus on completion of changes required for compliance with the relevant changes to the Code. This will include the development of our definition of materiality in relation to the articulation of the key controls we determine to be in scope and oversight of the testing and assurance work over the design and operation of these key controls within the business including remediation of any material issues found. We also plan to develop a trial attestation process through 2025 in readiness for the implementation of the changes in 2026.
- Maintain focus on undertaking detailed deep dive reviews into the Group's principal risks and continue to maintain a more flexible approach to include deep dives into specific risk themes and emerging risks delivered by functional leaders and/or subject matter experts from across the Group.

Ian El-Mokadem
Chair of the Risk Committee
26 February 2025

Corporate Responsibility Committee Report

Kirsty Bashforth

Committee members
Kirsty Bashforth (Chair)
Kru Desai
Dame Sue Owen DCB
Mark Irwin

Dear Shareholders

This has been my sixth year chairing the Corporate Responsibility Committee at Serco, and while the remit of the Committee endures, as do the core values of Trust, Care, Innovation and Pride, the intensity and maturity of the landscape on this overall agenda continues to evolve. The ecosystem of public need continues to rapidly evolve for individuals and governments, whether that is the cost of living, extreme climate events or increasing migration. In 2024, the Committee conducted its agenda with this changing backdrop in mind and has continued its focus on operational safety culture, plans to deliver environmental goals, colleague wellbeing with a specific focus on psychological safety, and the maturity of the ethics, compliance and overall integrity ecosystem within a growth agenda. I am particularly pleased to see both our MSCI and CDP ratings having improved within that growth context.

As Serco's Impact strategy for growth develops, so does its wider ESG credentials, as core to that, with a refreshed focus in 2024 and into 2025 on the importance of consolidating efforts to deliver outsized impact in priority areas. So, while we continue to explore ESG factors (including implementation of our Climate Transition Plan) as part of operational resilience into 2025, as a Committee we will assess the ways in which ESG does and will continue to add new value throughout the contract life cycle.

As an impact partner to the world's governments, cultural stability and vitality, along with ESG factors, are key underpins of Serco's success. The Committee looks forward to working with leadership in the year ahead to continue progress towards value creation for all.

Committee responsibilities

The Committee is responsible for assisting the Board in providing independent oversight and guidance of the Company's ESG approach, which includes Ethics and Compliance, and, based on this agreed framework, considering related strategies, policies and practices on how the Company conducts its business, through its values of Trust, Care, Innovation and Pride. The Committee's Terms of Reference are available on our website.

Membership and attendees

The Committee comprises both Executive and Non-Executive Directors. Biographical details for each member of the Committee are provided on pages 79 to 81. The Committee met four times during the year. Details of attendance at meetings are set out on page 77. Committee meetings are held in advance of Board meetings, with the Committee Chair updating the Board directly on the outcomes of each meeting. Meetings of the Committee are usually attended by the Group General Counsel, Group Company Secretary, Group Chief People and Culture Officer, Group Sustainability and ESG Director and the Group Head of Ethics and Compliance. Each Divisional Head of Ethics and Compliance is also invited to attend a private session with the Committee, without Management present, providing an opportunity for open discussion and for any concerns or issues to be raised.

Activities of the Committee during 2024

During the year, the Committee continued to conduct a mix of contract-specific and thematic deep dives on governance, strategy, performance and challenges in priority areas to ensure appropriate focus, control and rigour across the Group.

Key activities included:

- continued focus on operational safety, with focus on the 50% reduction goal in Lost Time Incidents (LTIs), and the ever-maturing area of psychological health and safety, including the development of KPIs as leading indicators of risk;
- the Group principal risk, 'Health, Safety and Wellbeing (HSW)'; colleague wellbeing and the focus on preventative strategies; and safety culture in specific business areas (Justice) including two deep dives on the Prisoner Escort and Custody Services contract;
- cultural resilience, linkage to delivery of the growth strategy and the behavioural impact of change including the annual review of the Group principal risk, 'Failure to act with integrity'; human rights and modern slavery in the context of the increasing footprint of migration contracts Serco operates including its European acquisitions;
- colleague diversity, including reviewing the diversity of talent required to support future growth, equity and inclusion; colleague training and skilling colleagues for the future; and colleague engagement, including the Company's annual engagement survey results (Viewpoint); and
- continued oversight of Serco's approach to its overall ESG strategy, positioning and ecosystem, including current status and future approach on environmental targets, plans and partnerships to achieve these; review of the TCFD compliance statement on climate risks and opportunities; and stakeholder feedback on Serco's approach to ESG.

Corporate Responsibility Committee Report continued

The Committee has ongoing quarterly oversight of the effective delivery of the Group Ethics and Compliance strategy (including the Speak Up process) and the Group strategies for Health, Safety, Environment and Wellbeing and receives updates from the Group Head of Ethics and Compliance, Group HSW Director and Group Sustainability and ESG Director at each meeting. The Committee also convenes a NED-only session with a regional Ethics and Compliance Lead each meeting.

The Committee conducted its annual performance review and the findings were mainly positive; the minor suggestions for improvement will be addressed.

Further information can be found in our Impact section on pages 33 to 55 and in the separate Impact Report, which is available on our website.

2025 priorities and focus

- Test resilience of the Group-level expectations and systems at the contract level through specific reviews with contract leads in the areas of Immigration (Europe), leadership and capability (North America); environmental decisions in a growth agenda (Middle East); continued drive towards 50% LTI reduction from 2023 levels (Electronic Monitoring (UK)); and psychological safety and health maturity (Asia Pacific).
- Strengthen focus on ESG as an enabler and driver of growth.
- Reviewing the updated ESG strategy including specific Social Group-wide priorities and the climate impact transition plan.
- Drive Board education on Sustainability including the specific requirements of the Corporate Sustainability Reporting Directive.
- Review an updated Climate Transition Plan and its implementation, linked to Serco's new Science-Based Net Zero targets.
- Continued oversight of the HSW agenda and ecosystem, through monitoring progress against agreed measures and continued sector specific reviews of key new HSW challenges, with particular focus on preventative measures that are being implemented across the Justice & Immigration sectors and considering the complexity and breadth of road risk.
- Oversight of the organisational maturity of the wellbeing and data/digital capability strategies.
- Maintain focus on colleague diversity and development of talent to support future growth.
- Oversight of the Group's Ethics and Compliance strategy Speak Up processes and outcomes.

Kirsty Bashforth
Chair of the Corporate Responsibility Committee
26 February 2025

Directors' Remuneration Report

Lynne Peacock

Remuneration Committee members
Lynne Peacock (Chair)
Kirsty Bashforth
Victoria Hull
Tim Lodge
John Rishton

Dear Shareholders

On behalf of the Board, I am pleased to present the Directors' Remuneration Report (the Report) for Serco Group plc for the year ended 31 December 2024. In this Report we set out how our Remuneration Policy has been implemented in 2024, and how we will apply it for 2025. This will be my last report as Chair of the Remuneration Committee for the Group as I will hand over to Victoria Hull at the conclusion of the 2025 AGM.

2024 – another successful year

As set out in the rest of this annual report, 2024 was another successful year for Serco, with the Company delivering good results. Underlying Operating Profit at £273.5m rose for the seventh consecutive year. Revenue was £4.8bn, Free Cash Flow increased to £227.5m and our order book finished the year at £13.3bn. We again increased our returns to shareholders with our ordinary dividend up £4.8m and a share buyback in 2024 of £141.3m.

Environmental, Social and Governance (ESG) matters have always been central to our business, with those matters which are most important to our organisation forming part of our remuneration practices (initially through personal objectives, and since 2021 with formal 'ESG' scorecards within both our bonus and Long Term Incentive Plan (LTIP)). Our ESG strategy has been updated to ensure absolute alignment with our purpose to impact a better future. We continue to evolve our Impact strategy, challenging ourselves to continue to do more and better across the three key areas of People, Place and Planet. Further details on our wider Impact strategy can be found on pages 33 to 55 of this annual report.

Context of remuneration decisions

The Remuneration Committee continues to consider and value the views and experience of all stakeholders when making remuneration decisions. In particular, we remain cognisant of the ongoing cost of living challenges facing many in society, and within the Serco workforce, and are pleased to support the initiatives taken by Management for our people (more details of which can be found on page 102).

2024 performance-linked variable pay

In considering the variable pay outcomes, the Committee seeks to ensure that all payments are appropriate against the backdrop of the overall performance of the Company, the experience of all stakeholders and the context of the wider economic environment.

Assurances are sought from the Audit Committee (with regards to financial performance) as well as from the Risk and Corporate Responsibility Committees (which, in particular, provide broader feedback on the performance against and management of the principal risks) where required to support our decisions.

2024 Annual bonus

The Executive Directors' 2024 bonus awards have been determined based on a combination of financial measures (70% weighting: 40% Underlying Operating Profit and 30% Free Cash Flow), an ESG scorecard (15%) and personal objectives (15%).

Taking into account performance against the targets set, including the individual performance of the Executive Directors, it was determined that the 2024 bonus award will be 89.4% of maximum for both the Group Chief Executive and the Group Chief Financial Officer (Group CFO). Further details can be found on pages 103 to 105. The overall performance of the Company in 2024 has been strong and the Committee is satisfied that the bonuses are a true and fair reflection of the underlying performance of both the Company and the Executive Directors.

2022 LTIP

As reported, the Company's performance has been consistently strong over recent years, and this is reflected in the performance outcomes against the three-year performance targets set for the 2022 LTIP awards. The Committee is satisfied that the overall vesting outcome of 85.0% of the maximum opportunity appropriately reflects the overall performance of the Company over this period. Full details of the performance achieved, and vesting outcome, can be found on pages 106 and 106.

We confirm that no malus and clawback provisions were exercised during the year.

Implementation of the Policy in 2025

Appointment of Anthony Kirby

On 13 January 2025, it was announced that Mark Irwin had indicated his intention to retire as Group Chief Executive of Serco and will step down from his role on 28 February 2025. At the same time, it was announced that Anthony Kirby would succeed Mark on 1 March 2025. The terms of Mark's retirement were set out in the announcement and the subsequent Section 430 (2B) statement on our website.

The Committee reviewed the base salary for the new Group Chief Executive, taking into consideration the size and complexity of Serco, and the experience of Anthony. As set out in our announcement, the Committee determined that Anthony will receive a base salary of £845,000 per annum, in line with his predecessor, taking into account the scheduled salary review that would have applied had the predecessor remained in role. Anthony will be eligible for a maximum bonus and LTIP opportunity for 2025 of 175% and 200% of salary, respectively; any bonus awarded over 100% of salary will be subject to mandatory deferral into Serco shares. In line with our approved Policy, Anthony's pension opportunity will align with that of our wider workforce (8% of salary).

Directors' Remuneration Report continued

Review of base salary for our Group CFO

The Committee reviewed the base salary for the Group CFO and determined that Nigel should receive an increase of 2.75% in 2025, aligning with the average for the broader workforce. For 2025, budgeted salary increases across our UK workforce will range from 2.25% to 7%, with 16% of our lowest paid colleagues receiving increases from 6.7%.

2025 Annual bonus

Reflecting our goal to meet the growth opportunity we see in the market through delivering greater productivity and operational excellence and in line with our approved Remuneration Policy, the Committee decided to adjust the performance measures applicable to the 2025 bonus for Executive Directors to include a specific growth target. Specifically, the proposal is to include an Order Intake Target. Following the Company's return to growth, the Committee agrees that now is the right time to reintroduce a growth target into the bonus. This will encourage Executive Directors to focus on delivering sustainable growth in addition to profitability, which retains a significant weighting in the bonus. Free Cash Flow will also remain within the bonus plan as in prior years; however, to accommodate the growth metric, the weighting given to Free Cash Flow will be reduced from 30% to 15%. ESG underpins our delivery of operational excellence and remains the same as prior years.

2025 LTIP

The performance framework for the 2025 LTIP will follow that applied in 2024, with measures to reflect the Company's focus on longer-term sustainable growth. The 2025 LTIP will vest subject to aggregate Earnings Per Share (25% weighting), average Pre-tax Return on Invested Capital (25%) and relative Total Shareholder Return (20%), together with two growth measures aligned to our medium-term growth goals (total of 20% weighting split between a Book-to-Bill ratio and Organic Revenue Growth), and an ESG scorecard (10%) focused on sustained colleague engagement and, building on our previous environmental measures, specific Scope 1 and 2 carbon reduction targets aligned to our longer-term Net Zero ambition. Full details of the performance measures for the 2025 LTIP can be found on page 109.

Stakeholder engagement

Our programme of shareholder dialogue in the first quarter of the year was focused on feedback on our Policy, its implementation in 2024 and its proposed implementation for 2025. Any feedback was considered by the Committee and, in particular, helped shape our approach to performance measurement for the coming year. We continue to welcome your input and are always prepared to listen and take on board suggestions that help the Company continue to grow and develop its services. In addition to direct engagement with shareholders, our Investor Relations team is in regular contact with our shareholders and shares any feedback or queries on remuneration throughout the year so that we can maintain an ongoing dialogue.

As mentioned elsewhere in this annual report, the Board regularly engage with Serco's workforce through a number of channels, receiving feedback on general pay and conditions, and invite comment on remuneration matters from all colleagues.

Concluding comments

On behalf of my colleagues on the Committee, I wish to thank all our shareholders for their ongoing support. The Committee believes that our proposals for 2025 onwards will continue to ensure that the Executive Directors are fairly rewarded for delivery against the strategic goals of the Company, with due consideration given to all Company risks and performance. Together, these ensure that our remuneration framework supports all colleagues to continue to deliver the critical services to governments, impacting a better future for us all. I hope you will all support the resolution to vote for this Report at the forthcoming AGM.

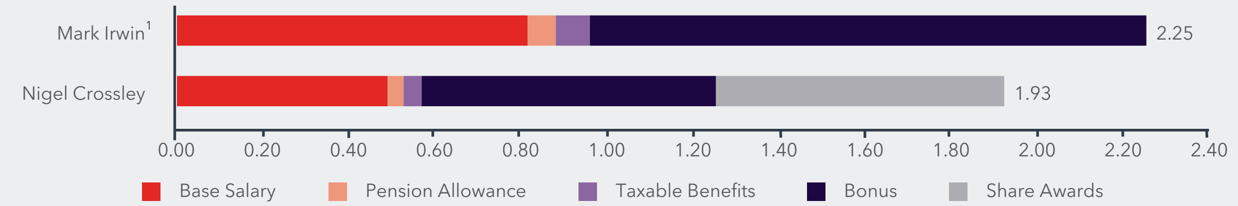
Lynne Peacock
Chair of the Remuneration Committee
26 February 2025

This Report has been prepared in accordance with the requirements of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) (the Regulations). The Report also meets the relevant requirements of the Listing Rules of the Financial Conduct Authority and describes how the Board has complied with the principles and provisions of the UK Corporate Governance Code relating to remuneration matters.

Directors' Remuneration Report continued

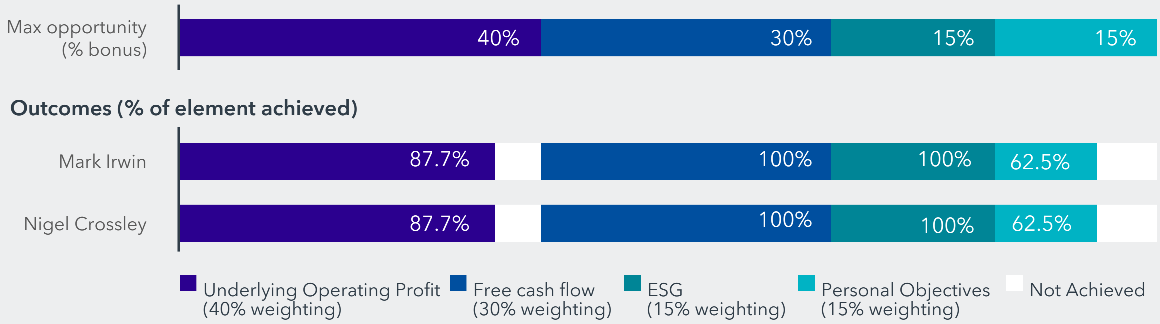
Overview of Remuneration 2024 – What we paid our Executive Directors for 2024

Single figure remuneration at a glance (£m)



1. *Mark Irwin was appointed to the Board on 1 January 2023. Mark's 2022 LTIP award, for which the performance period ended in 2024, was granted in respect of his previously held role within Serco. This is therefore excluded from the figures above as it was not awarded in respect of qualifying services.*

Annual Bonus Outcomes



2024 bonus earned

Mark Irwin

89.4%

of total maximum[1]

Nigel Crossley

89.4%

of total maximum

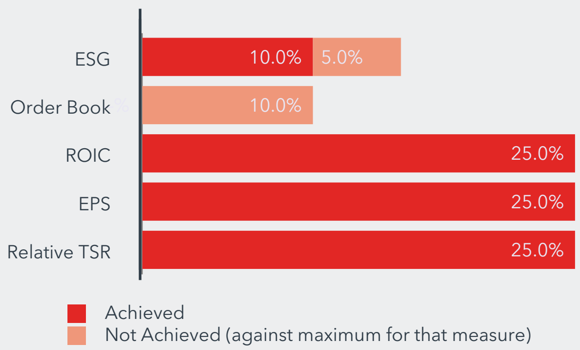
of which

27.9%

is subject to deferral

1. *Mark Irwin will be stepping down as Group Chief Executive on 28 February 2025; the Committee has therefore determined that the full bonus will be paid in cash in March 2025.*

2022 LTIP outcome



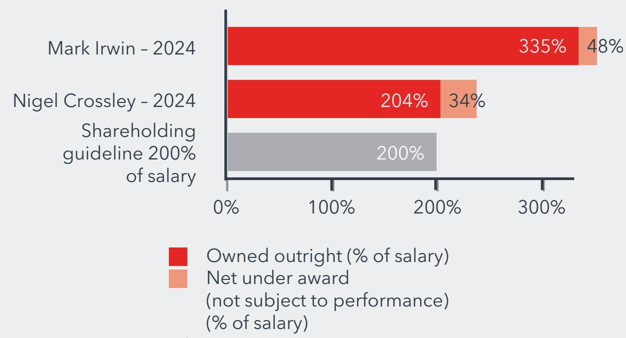
Vesting Outcome

85.0%

of maximum

Executive Director shareholdings (% of base salary)

Both Executive Directors have exceeded their shareholding requirement.



The Policy applied for the year ended 31 December 2024 was consistent with the Policy approved by shareholders at the AGM on 24 April 2024.

Total spend on pay	Dividends & share buyback	Average increase for UK colleagues
£2,263.3m (3.1% on 2023)	£179.7m (46.7% on 2023)	4.64%
2023 - £2,194.2m	2023 - £122.5m	2023 - 6.43%

The dividend per share and overall expenditure on wages and salaries have the same meaning as in the notes to the Company Financial Statements.

Directors’ Remuneration Report continued

Implementation of Remuneration Policy 2025 – How our Executive Directors will be paid in 2025

Remuneration in 2025 will align to the approved 2024 Remuneration Policy as set out in the 2024 Annual Report & Accounts.

Fixed pay

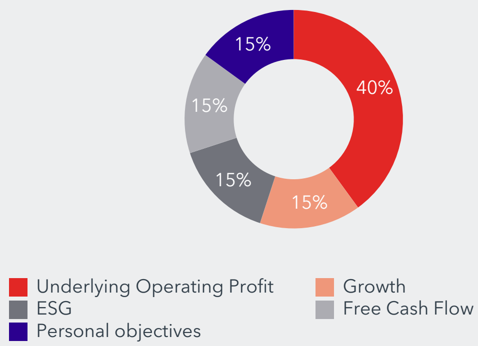
Group Chief Executive salary	Group CFO salary	General increase for all colleagues	Executive Directors’ pension contributions aligned to the wider UK workforce
£845,000	**£507,996** 2.75% increase on 2024	**2.75%**	**8.0% salary**

Variable Pay aligned to Business Strategy

Priority areas
- G Growth
- O Operational Excellence
- C Competitiveness

Our Impact
- People
- Place
- Planet

Annual Bonus

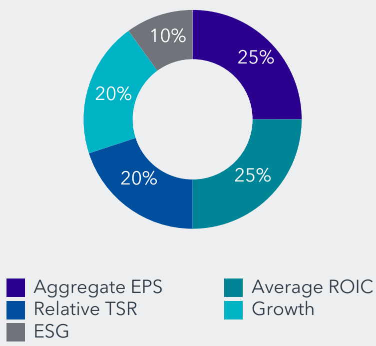


Element	Link to priority areas
Underlying Operating Profit	G O C
Free Cash Flow	G O
Growth	G O C
ESG	G O C People
Personal objectives	G O C People Place Planet

% of base salary	Anthony Kirby	Nigel Crossley
Maximum	175%	155%
On-target	88%	78%

Bonuses in excess of 100% of salary are subject to mandatory deferral into shares for three years.

Long-Term Incentive Plan



Element	Link to priority areas
Aggregate EPS	G O C
Average ROIC	G O C
Relative TSR	G O C
Growth	G O C
ESG	G O C People Planet

% of base salary	Anthony Kirby	Nigel Crossley
Maximum	200%	175%
On-target	100%	88%

On vesting, shares received (after payment of tax) are subject to a further post-vest holding period until the fifth anniversary of grant.

Malus and clawback provisions apply to the deferred bonus and LTIP share awards during the three-year period prior to vesting and within five years of grant respectively. Clawback provisions apply to the annual bonus.

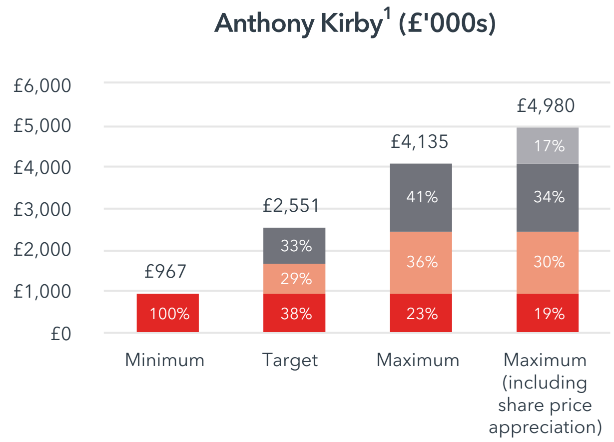
Alignment with shareholders

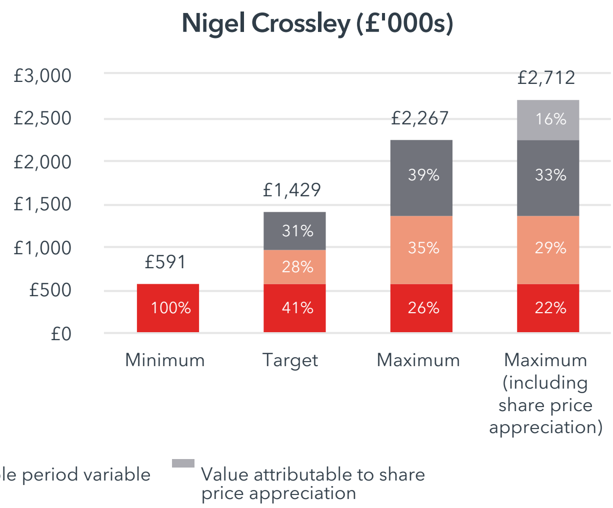
In employment	Minimum shareholding of 200% of salary.
Post-employment	Retain 100% of the in-employment shareholding guideline for the first year post-employment; and 50% of the in-employment shareholding guideline for the second year post-employment.

Directors' Remuneration Report continued

Illustration of remuneration opportunity for 2025

The following charts illustrate the value that may be delivered to Executive Directors for 2025 under the Policy.





1. Anthony Kirby will succeed Mark Irwin as Group Chief Executive on 1 March 2025. The amounts shown assume a full year of participation.

The scenarios in the above graphs are defined as follows:

- Fixed elements of remuneration:
  - Base salary as applicable from 1 April 2025.
  - Estimated value of benefits to be provided in 2025 in line with the Policy.
  - Pension contribution/cash supplement equal to 8% in line with the Policy applicable in 2025.
- Annual bonus and LTIP participation as set out in the Policy table. In all cases, target performance results in delivery of 50% of maximum opportunity. The LTIP values reflect the 'face value' at grant of shares that could be received for target and maximum performance. The LTIP value under the maximum scenario is also shown assuming 50% share price appreciation over the performance period.

Wider remuneration at Serco

The principles of colleague-centred, fair and impactful total reward

Our reward principles, which apply to all colleagues, are that reward should be fair, competitive and aligned to the sectors and markets from which we draw our talent, while ensuring that we are appropriately managing the cost of our workforce which, as a people business, is our biggest operating cost.

How our approach to reward is implemented throughout our organisation

The Committee believes that the structure of the Executive Directors' reward at Serco should be linked to Serco's strategy and performance, and that reward throughout the whole organisation should follow the same philosophy and underlying principles. The table below provides an overview of how the Policy cascades throughout the organisation.

Element	
Base salary	Salary levels throughout the Group, as far as possible, are set using the same principles applicable to the Executive Directors. Salaries are reviewed annually, subject to engagement with employee representatives/ unions, where appropriate. Unless exceptional circumstances apply, salary increases for Executive Directors are normally no more than the average increase of the wider workforce.
Benefits	Benefits aligned to local market practice, including wellbeing support, are provided for all employees. Colleagues in our main operating countries (Australia, Canada, UAE, UK and US) are able to participate in MyShareSave (our all-employee Sharesave Scheme).
Pension	The Group operates a large number of different pension/retirement benefit arrangements globally, including cash allowance alternatives, where appropriate, in line with local market practice.
Annual bonus	Approximately 1,550 colleagues, including members of the Global Leadership Team, are invited annually to participate in the Serco Bonus Plan.
Long-term incentive	Long-term incentive awards are granted annually to approximately 170 colleagues in the Global Leadership Team.

Directors' Remuneration Report continued

Supporting our people

We have more than 50,000 colleagues across our operations and each individual is critical to our ability to impact a better future for the service users we support through our contracts. The wellbeing of our people is therefore of utmost importance to us as an organisation. Various targeted and whole-workforce actions have been taken by the Company to support colleagues throughout these difficult times. These vary across our Divisions in response to regional pressures and in 2024 included:

Whole-workforce initiatives	Targeted initiatives
Global coverage of the Serco People Fund.[1] 2024 MyShareSave[2] offering across our main operating countries. Continued benefits including discounts on everyday spend, wellness offerings, improved support under the Employee Assistance Programme, improved financial education and wellbeing support.	Expand coverage to include Canadian workforce. MyShareSave supports colleagues' financial wellbeing and encourages long-term planning. ISO 45003 certificate across Justice, Immigration & Asylum contracts. Trauma support pathways for sector with higher potential exposure. Cultural specific wellbeing content and resources, bespoke for each region.

1. The Serco People Fund provides financial support for current and former Serco colleagues and their close family in a range of situations, including hardship or personal crisis and when help is required for health, wellbeing or recovery. In 2024, the fund was available to individuals in Australia, Middle East, UK and US.
2. MyShareSave is our all-employee savings-linked share plan. In 2024, this benefit was made available to colleagues in the Australia, Canada, UAE, UK and US.

Annual Report on Remuneration

Single total figure of remuneration – Executive Directors (audited information)

The following table shows a single total figure of remuneration in respect of qualifying services in 2024 for each Executive Director, together with comparative figures for 2023. Details of Non-Executive Directors' fees are set out in the next section.

	Mark Irwin[1]		Nigel Crossley[1]	
All figures in £	**2024**	**2023**	**2024**	**2023**
Salary	**818,000**	800,000	**490,800**	480,000
Taxable benefits[2]	**80,698**	38,177	**41,666**	56,259
Pension[3]	**65,440**	64,000	**39,264**	38,400
Total Fixed Remuneration	**964,138**	902,177	**571,730**	574,659
Bonus	**1,289,820**	1,036,631	**685,450**	550,896
Long-Term Incentives[4]	**N/A**	N/A	**668,185**	837,354
Total Variable Remuneration[5]	**1,289,820**	1,036,631	**1,353,635**	1,338,249
Total	**2,253,958**	1,938,808	**1,925,365**	1,962,909

1. Mark Irwin and Nigel Crossley were appointed to the Board on 1 January 2023 and 21 April 2021 respectively. Mark's 2022 LTIP award, for which the performance period ended in 2024, was granted in respect of his role previously held within Serco. This is therefore excluded from the figures above as it was not awarded in respect of qualifying services.
2. The taxable benefits relate to the provision of independent financial advice and tax support, as appropriate; a car or car allowance (fully inclusive of all scheme costs including insurance and maintenance), healthcare and private medical assessments, as well as taxable business expenses. Where Serco settles the income tax and social security liability in respect of benefits provided, the value of the benefit has been grossed up at the individual's marginal tax rate. Accommodation expenses for Mark Irwin amounting to £30,759 and Tax advice totalling £37,700 were provided as taxable benefits in kind during the reporting period, in accordance with applicable taxation regulations.
3. The pension amounts comprise payments made in lieu of pension, calculated as a percentage of base salary, from which the Executive Directors make their own pension arrangements.
4. This is the estimated or actual value of LTIP awards for which the performance period ended in the year including dividend equivalents. The quantum attributable to share price appreciation is £69,396. The Committee believes that the share price movement appropriately reflects the broader performance of the Company and, therefore, did not make any discretionary adjustments to the vesting of these awards. Further details are provided on pages 108 and 108. The LTIP value reported for Nigel in respect of 2023 has been restated to reflect the actual share price at the relevant vest date for the award (being his 2021 LTIP award, which vested on 6 April 2024: £1.859394).
5. Malus and clawback provisions, as set out in the Remuneration Policy, apply to the relevant incentive awards, including the annual bonus and LTIP. These provisions were not exercised during the reporting year.

Directors' Remuneration Report continued

Variable pay outcome (audited information)

Performance-related annual bonus

In line with the Policy, the 2024 target and maximum annual bonus opportunities were 87.5% and 175% of salary respectively for Mark Irwin (Group Chief Executive) and 77.5% and 155% of salary respectively for Nigel Crossley (Group CFO). Overall outcomes against the 2024 bonus are summarised on page 105.

Performance targets and achievement against them

The following table sets out the performance targets for 2024 as well as achievement against these.

The 2024 ESG scorecard focused on two key areas with the emphasis (two-thirds of this element) placed on the first area:

- Health and safety within our operations, measured by reference to Lost Time Incidents (LTI); and
- Colleague retention, measured as improvements in the % of voluntary attrition over the financial year.

The performance measured against each component of the scorecard, and the overall performance outcome determined by the Committee in considering the overall ESG performance, is set out in the table below. The Committee recognised that the LTI for 2024 was 472, well below the 511 target required for maximum payout, reflecting a significant improvement in health and safety performance. The substantial reduction in LTIs demonstrates tangible progress across multiple regions, reinforcing Serco's commitment to a safe working environment. Given the critical importance of health and safety, the performance against this component has been appropriately reflected in the overall ESG scorecard outcome.

Performance measure and relative weighting	Threshold Target	Target	Maximum target	Actual performance	Achievement against measure (% maximum opportunity for this measure)
Underlying Operating Profit[1] (40%)	£257.3	£263.9	£285.0	£279.8	87.7%
Free Cash Flow[1] (30%)	£130.3	£153.7	£177.1	£227.5	100.0%
ESG scorecard (15%)					100.0%
LTI	554	541	511	472	
Colleague retention[2]	22.7%	22.2%	21.7%	21.2%	
Individual Objectives (15%)					
Mark Irwin					62.5%
Nigel Crossley					62.5%
Overall bonus (% max)					
Mark Irwin					89.4%
Nigel Crossley					89.4%

1. Actual performance at constant currency.
2. Assessed against the 12m rolling voluntary attrition rates across the Group for the financial year.

Directors' Remuneration Report continued

Achievement of individual objectives

Executive Director	Achievements in year
Mark Irwin, Group Chief Executive	The Committee considered Mark's performance against his stated objectives and deemed his overall performance in 2024 to be good. Mark demonstrated effective and visible leadership throughout 2024 and delivered another successful year with strong results, maintaining organisational stability alongside a number of substantial organisational changes and a new Executive appointment. He maintains strong governance, a compelling vision for growth, one that will improve safety, engagement and performance outcomes for our people and customers. Achievements include: • Recognising total pipeline as at 31 December 2024 was £13.11bn (versus investor pipeline of £11.16bn). Both total reported pipeline and investor pipeline are materially larger than in FY23. New business wins were in line with last year at £1.82bn, although total wins were above FY23 at £4.89bn. As such we delivered a book-to-bill of 102%. • The acquisition of the MT&S business from Northrop Grumman was progressed and announced publicly in January 2025. During the year, we have strengthened the Group M&A function with both new talent and stronger controls and processes for all M&A deals. • Managing portfolio performance delivered margin improvements in all 4 regions yielding a 60-basis points improvement at the Group level for FY24. • Successful implementation of Think Safe, Work Safe, Home Safe over the past 12 months, delivering a ~25% reduction in Lost Time Incidents (LTIs) and 32% reduction in lost working days. Notable progress in safety outcomes specific to injuries related to Slips, Trips & Falls (reduced by 36%), Control & Restraint (reduced by 45%) and Manual Handling (reduced by 34%). • Appointment of first Group Chief Digital and Technology Officer to lead enterprise level cyber and digital agenda. Broader succession planning for Executive Committee continues to be work in progress with market mapping for key roles completed. • Established strong and productive relationship with the Board Chair and Board. • Achieved a 34% reduction in Scope 1 and 2 Carbon compared to 2022 base year.
Achievement (% maximum for this measure)	62.5%

Directors' Remuneration Report continued

Achievement of individual objectives continued

Nigel Crossley, Group CFO	The Committee considered Nigel's performance against his stated objectives and deemed his overall performance in 2024 to be good. Nigel continued to demonstrate effective and visible leadership throughout 2024. With a strong revenue portfolio, good liquidity and balance sheet strength, Nigel has delivered strong financial results for the seventh consecutive year. This is despite a range of challenging global and market economic factors that affect each of Serco's Divisions. Nigel has maintained effective relationships with internal and external stakeholders, and maintained the confidence of the wider investment community, essential as Serco embarks upon a refreshed strategy to deliver growth and improved safety, engagement and performance outcomes for our people and customers. Achievements include: • Recognising total pipeline as at 31 December 2024 was £13.11bn (versus investor pipeline of £11.16bn). Both total reported pipeline and investor pipeline are materially larger than in FY23. New business wins were in line with last year at £1.82bn, although total wins were above FY23 at £4.89bn. As such we delivered a book-to-bill of 102%. • Achieving full year revenue of £4.8bn, Underlying Operating Profit of £274m, cash conversion exceeding 100% and a book-to-bill ratio of 102%. • Free Cash Flow of £227.5m achieved. • Effective support on internal succession planning and continued build of the capability of the Finance and Investor Relations function with key senior appointments made at Group level. • Supported the achievement of the Divisional growth plans and the acquisition of MT&S in January 2025. Active support to win and retain key contracts. • The Group's Underlying Operating Profit margin improved by 60 basis points, with margin improvements in all 4 regions during the year, as profit improvements plans were successfully executed across the Group. • The Integrated Assurance Framework to manage the Group-wide risks has developed during the year, to ensure the Group is ready for changes in the UK governance requirements coming into effect in 2026.
Achievement (% maximum for this measure)	62.5%

When approving the payments, the Committee considered Serco's wider business performance during the year as well as the experience of all our stakeholders. This included the bonus outcomes for our wider employee base, which factor in a combination of Group, Divisional and Business Unit performance to ensure payments are reflective of the overall contribution to Serco's performance. In addition, an Underlying Operating Profit (UOP) test applied to ensure affordability. After a full review, the Committee determined that the formulaic outturn is fair and appropriate with no adjustments needed. The table below sets out the bonus outturn for 2024 as well as the amount to be deferred.

2024 Bonus outcome

	Mark Irwin	Nigel Crossley
Bonus amount earned[1]	£1,289,820	£685,450
Bonus payable as % max (% salary)	89.4% (156.5%)	89.4% (138.6%)
Value of bonus to be deferred for three years into Serco shares (% of total bonus)	N/A[1]	£191,050 (27.9%)

1. Mark Irwin will step down as Group Chief Executive effective on 28 February 2025. The Committee has therefore determined that the full bonus will be paid in cash in March 2025.

Directors' Remuneration Report continued

2022 Long-term incentive Plan (2022 LTIP)

The 2024 single figure is comprised of the 2022 LTIP awards granted on 6 April 2022, which are due to vest on 6 April 2025 subject to Total Shareholder Return (TSR), Earnings Per Share (EPS), Return on Invested Capital (ROIC), Order Book (measured as the book-to-bill ratio) and an ESG scorecard performance in the three-year period to 31 December 2024. Careful consideration was given to the overall performance of the Group over the whole performance period. The Committee is satisfied that the overall vesting outcome is an appropriate reflection of the overall performance of the Group over the performance period, during which Management successfully continued the journey of growth in Serco's corporate strategy. The Committee is satisfied that no adjustment to the vesting outcome is required.

The performance and formulaic vesting outcome for each tranche of the 2022 LTIP is as follows:

Performance condition and relative weighting	Threshold – 25% vesting	Maximum – 100%	Performance measured	Vesting (% of maximum)
Relative TSR[1] (25%)	Median ranking	Upper quartile ranking	Rank 29/123	100.0%
Aggregate EPS[2] (25%)	28.41p	34.72p	42.77p	100.0%
Average pre-tax ROIC[2] (25%)	17.3%	21.2%	22.8%	100.0%
Order Book[2] (10%)	N/A	105.0%	95.9%	– %
ESG scorecard[2] (15%)	N/A	See below	See below	66.7%
Overall vesting outcome				85.0%

1. For the 2022 LTIP, the Company's TSR performance was assessed relative to the constituents of the FTSE 250, excluding investment trusts, over the three-year period ended 31 December 2024. The Company's TSR of 32.3% ranked 29, giving a vesting outcome of 100%.
2. Only the financial performance targets vest at 25% for threshold performance, rising on a straight-line basis to 100% vesting at maximum performance. The Committee views the Order Book and ESG scorecard targets to be strategically critical to the longer-term success of the Company, and that there should be no vesting below target performance. The Order Book vesting level for on-target performance (being a book-to-bill ratio of 100%) is 50% of this element, rising on a straight-line basis to 100% for maximum performance. Further details of the ESG scorecard are below.

ESG scorecard performance

The Committee considered the overall performance of all components of the ESG scorecard in the round in determining an overall outcome for this element of 66.7% of maximum.

Scorecard component	Actual performance
Average annual Group employee engagement score over the three-year performance period (score of 70 for target, and 72 at maximum).	**Employee Engagement**: The three-year average engagement score was 71, meeting the target threshold and demonstrating continued positive sentiment.
Improvement in colleague diversity, including assessment of quantitative metrics against senior global leadership roles.	**Colleague Diversity**: Senior leadership roles held by women rose slightly to 34.6%, and those held by diverse ethnic backgrounds reached 12.3%, reflecting steady progress in diversity and inclusion efforts. Further details of progress in 2024 can be found on page 39 of this Annual Report.
Improvement in our understanding, management and disclosure of Serco's environmental risks.	**Environmental Progress**: Our ESG performance continued to improve, with a 34% reduction in Scope 1 and 2 carbon emissions versus 2022 baseline and progress in renewable energy usage, supporting Serco's long-term sustainability commitments. Further details of progress can be found on pages 48 to 50 of this Annual Report.

2022 LTIP Awards vesting

Nigel Crossley has 454,099 shares under his 2022 LTIP award, of which awards over 385,984 shares (plus 22,442 associated dividend equivalent shares) will vest on 6 April 2025. The total value at vest is estimated at £668,185 based on the three-month (ended 31 December 2024) average closing share price of £1.636.

Pensions (audited information)

As at 31 December 2024, there were no Executive Directors actively participating or accruing additional entitlement in the Serco Pension and Life Assurance Scheme, which is a defined benefits scheme.

Directors' Remuneration Report continued

Payments for loss of office and to past Directors (audited information)

Angus Cockburn stepped down as Group CFO on 21 April 2021. Rupert Soames stepped down as Group Chief Executive on 31 December 2022. Share awards vested to Rupert and Angus in 2024 are in line with the treatment on cessation of employment as previously disclosed in our 2022 and 2021 Reports, respectively. The awards below vested during the year.

	Award vesting	No. of shares vesting[1]	Value vesting
Rupert Soames	2021 LTIP	972,483	£1,808,229
	2021 ESBP	256,787	£483,145
Angus Cockburn	2021 ESBP	90,162	£169,640

1. Shares vesting from the 2021 LTIP awards remain subject to a post-vest holding requirement until the fifth anniversary of grant (6 April 2026).

All ESBP and LTIP awards noted above remain subject to malus and clawback provisions. There were no other payments made to past Directors in 2024.

Single figure – Non-Executive Directors' remuneration (audited information)

Non-Executive Directors' remuneration consists of cash fees paid monthly with increments for positions of additional responsibility. In addition, reasonable travel and related business expenses are paid. No bonuses are paid to Non-Executive Directors. Non-Executive Directors' fees are not performance-related.

	Fee-bearing Committee roles held in the year	Board fee (including Chairmanship fees) (£)		Taxable benefits[1] (£)		Total[2] (£)	
		2024	2023	2024	2023	2024	2023
John Rishton (Chair)		**297,752**	288,400	**10,249**	7,199	**308,001**	295,599
Kirsty Bashforth	**C** RE RI	**81,696**	79,130	**4,899**	5,325	**86,595**	84,455
Kru Desai	A C	**68,403**	66,255	**–**	–	**68,403**	66,255
Victoria Hull[3]	RE	**19,398**	[N/A]	**–**	[N/A]	**19,398**	[N/A]
Tim Lodge	**A** RE RI	**81,696**	79,130	**1,081**	365	**82,777**	79,495
Ian El-Mokadem	A **RI**	**76,379**	73,980	**409**	84	**76,788**	74,064
Dame Sue Owen[4]	C RI	**73,720**	70,155	**–**	196	**73,720**	70,351
Lynne Peacock (SID)	A **RE**	**91,716**	88,980	**–**	841	**91,716**	89,821
Total		**790,760**	746,030	**16,638**	14,010	**807,398**	760,040

A = Audit Committee, C = Corporate Responsibility Committee, RE = Remuneration Committee, RI = Risk Committee. Red denotes Chair. No fee is payable for being a member or Chair of the Nomination Committee.

1. Taxable benefits in 2023 and 2024 relate to reimbursed taxable travel and subsistence business expenses.
2. Non-Executive Directors do not receive any variable pay so 'Total' is total fixed remuneration.
3. Victoria Hull was appointed to the Board on 1 September 2024.
4. As Designated Non-Executive Director for Workforce Engagement, Dame Sue Owen received a fee which was introduced from 1 April 2023, as disclosed in the 2022 Report and aligned to the fees payable for membership of a Committee.

Awards made in 2024

Equity Settled Bonus Plan (ESBP) (audited information)

In line with the approved Policy, in connection with the compulsory deferral of the 2023 bonus in excess of 100% of salary, Mark Irwin and Nigel Crossley were granted the following ESBP awards on 28 March 2024 in the form of a conditional share award. ESBP awards granted in 2024 vest on the third anniversary of grant on 28 March 2027, provided the individual is still in employment with Serco at vest.

Directors	Face value (£)[1]	Grant date	Market price at award (£)[2]	Number of shares[3]
Mark Irwin	236,631	28 March 2024	1.8824	125,707
Nigel Crossley	70,896	28 March 2024	1.8824	37,662

1. Calculated as the value of the Executive Directors' 2023 bonus in excess of 100% of salary.
2. Average closing share price on the five trading days immediately prior to the date of grant.
3. Calculated using the average share price used to determine the number of shares awarded.

Pre-vesting malus and post-vesting clawback are applicable to these awards, but no further performance conditions apply.

Directors' Remuneration Report continued

Long Term Incentive Plan (LTIP) (audited information)

In line with the approved 2024 Policy, in 2024, the Group Chief Executive received LTIP awards equivalent to 200% of salary, and the Group CFO received awards equivalent to 175% of salary. All awards were in the form of conditional share awards and have a normal vesting date of 8 April 2027. Awards will vest to the extent that the performance conditions have been met, as measured over the three-year performance period ending 31 December 2026, and provided the individual is still in employment with Serco at vest.

Performance measure	Weighting of measure	Performance target
Aggregate EPS	25%	Statutory Earnings Per Share (EPS) before exceptional items (adjusted to reflect tax paid on a cash basis) of 43.39p (threshold, 25% vesting) to 53.03p (maximum, 100% vesting), measured as an aggregate over the three-year performance period.
Relative TSR	20%	Total Shareholder Return (TSR) of median (threshold, 25% vesting) to upper quartile (maximum, 100% vesting) when ranked relative to companies in the FTSE 250 (excluding investment trusts), measured over the three-year performance period.
Average ROIC	25%	Pre-tax Return on Invested Capital (ROIC) of 22.1% (threshold, 25% vesting) to 27.1% (maximum, 100% vesting), measured as an average over the three-year performance period.
Growth	20%	Measured through two equally weighted assessments: • Book-to-bill ratio of 100% (target, 50% vesting) to 105% (maximum, 100% vesting), measured as an average over the three-year performance period; and • Organic Revenue Growth of 4% (threshold, 25% vesting) to 6% (maximum, 100% vesting), measured as an average over the three-year performance period.
ESG scorecard	10%	Scorecard focusing on two key areas: • employee engagement score of 71 for threshold and 73 for maximum performance measured via the Serco Employee Engagement Survey as an average across the three-year performance period; and • reduction in Scope 1 and 2 carbon emissions over the three-year performance period, measured in tonnes of carbon dioxide equivalent (tCO2e), 1,628 tonnes for threshold and 4,331 tonnes for maximum performance.

The structure for vesting of the EPS, TSR, ROIC, Organic Revenue Growth and ESG scorecard conditions is straight-line vesting between threshold and target, and target and maximum; no shares vest where performance is below threshold. The Committee views the book-to-bill growth target to be strategically critical to the longer-term success of the Company and that there should be no vesting below target performance. Threshold performance of this element, therefore, delivers a 0% vesting outcome. The vesting level for on-target performance is 50%, with straight-line vesting between target and maximum. This is a more stringent approach than required under the approved Policy. In determining the extent to which these LTIP awards will vest, the Committee will consider the Group's underlying performance (with input from the Audit and Risk Committees, as appropriate) and external market reference points to ensure that outcomes are fair.

Each element of the LTIP award is subject to a post-vesting holding requirement that takes the total term of the LTIP award (i.e. performance period plus holding period) to a minimum of five years. Pre-vesting malus and post-vesting clawback are also applicable to these LTIP awards.

Directors	Basis of award (% salary)	Face value (£)	Grant date	Market price at award (£)[1]	Number of shares[2]	Percentage vesting at threshold performance[3]	Performance period end date
Mark Irwin	200%	1,648,000	8 April 2024	1.8752	878,839	18.75%	31 December 2026
Nigel Crossley	175%	865,200	8 April 2024	1.8752	461,390	18.75%	31 December 2026

1. Average closing share price on the five trading days immediately prior to the date of grant.
2. Calculated using the average share price used to determine the number of shares awarded.
3. 90% of the awards that are subject to financial and ESG performance conditions vest at 25% for threshold performance. 10% of the awards that relate to Book-to-Bill performance conditions vest at 0% for threshold performance and only begin to vest when at least target performance is achieved.

MyShareSave 2024 (audited information)

In line with the approved Policy, and HMRC's requirements relating to UK Sharesave, the Executive Directors were invited to participate in the 2024 scheme on the same terms as all other eligible employees. For 2024, Mark Irwin chose to take up the invitation to participate. These options were granted at a 20% discount (in line with HMRC's requirements relating to SAYE plans). The 2024 MyShareSave options will mature from 1 December 2027 following the completion of the associated 36-month savings contract and if the Executive Director remains in Serco employment at that time.

Directors	Face value (£)[1]	Grant date	Market price at award (£)[2]	SAYE exercise price (£)[3]	Number of shares[4]
Mark Irwin	6,734	27 September 2024	1.7460	1.40	3,857

1. Calculated as the value of the shares under option taking the market price for the options used to determine the exercise price.
2. Mid-market price on the option pricing date, 30 August 2024.
3. Being a 20% discount to the mid-market price on the option pricing date.
4. The number of shares under option based on the total savings under the savings contract and the exercise price.

Directors' Remuneration Report continued

Implementation of the Policy in 2025

Directors

Details of the salary increases, pension opportunity and annual bonus and LTIP awards (including a summary of the performance measures and relative weightings) are provided on page 99.

Details of the performance measures to apply to the 2025 annual bonus and long-term incentive awards

We are focused on three core areas which are most significant to driving value and delivering our strategy: Growth, Operational Excellence and Competitiveness. Our variable pay for 2025 aligns to this through the targets set against a number of these areas. The performance measures and relative weightings applicable to the 2025 annual bonus and LTIP are summarised on page 99, further details are provided below. The Committee takes a robust approach to target setting, informed by internal budget and long-term plans, analyst forecasts and strategic objectives.

The remuneration framework is structured to maintain an appropriate balance between short-term and long-term incentives. The annual bonus is designed to reward delivery against key financial and strategic priorities within a single year, while the LTIP incentivises sustained performance over multiple years, ensuring alignment with long-term shareholder value. This supports both the Company's immediate operational success and its long-term strategic goals, promoting sustainable and responsible performance.

2025 Annual bonus

The performance measures applicable to the 2025 bonus have been determined taking into consideration the key strategic priorities of Serco over the next 12 months. In particular, the 2025 ESG scorecard metrics recognise the continued business priorities of care for our colleagues. Determination of the amount payable under the 2025 annual bonus plan will also take into consideration the wider performance of the Group as well as the affordability of the bonuses so determined. The final payouts will be adjusted, where appropriate, to ensure that the outcomes are a fair and reasonable reflection of the performance of the Group.

2025 LTIP

The table below provides details of the performance measures and targets to apply to the 2025 LTIP awards. Targets have been set taking into account our longer-term business forecasts and strategy, as well as analyst consensus. In each case performance will be assessed over the three-year period ending 31 December 2027. In determining the final vesting of these awards, the Committee will also give consideration to the Group's underlying performance (with input from the Audit and Risk Committees as appropriate) and external market reference point. The final payouts will be adjusted, where appropriate, to ensure that the outcomes are a fair and reasonable reflection of the underlying performance of the Group.

Performance measure	Weighting of measure	Performance target	Threshold 25% vesting[1]	Maximum 100% vesting
Aggregate EPS	25%	Statutory Earnings Per Share (EPS) before exceptional items (adjusted to reflect tax paid on a cash basis) measured as an aggregate over the three-year performance period.	46.92p	57.35p
Average ROIC	25%	Pre-tax Return on Invested Capital (ROIC) measured as an average over the three-year performance period.	24.93%	30.48%
Relative TSR	20%	Total Shareholder Return (TSR) when ranked relative to companies in the FTSE 250 (excluding investment trusts), measured over the three-year performance period.	Median ranking	Upper quartile ranking
Growth	20%	Book-to-bill ratio of 100% (target, 50% vesting) to 105% (maximum, 100% vesting), measured as the cumulative average over the three-year performance period.	N/A[1]	105 %
		Organic Revenue Growth, measured as a three point average over the three-year performance period.	4%	6%
ESG scorecard	10%	Average annual Group employee engagement score over the three-year performance period at or above 72 for on-target performance.	71	73
		Reduction in Scope 1 and 2 carbon emissions towards our longer-term net zero goal. Total reduction of 1,603 tCO2e for on-target performance, to be measured over the three- year performance period.	Reduction of 794 tCO_2e	Reduction of 2,105 tCO_2e

1. Unless indicated, each tranche vests at 25% for threshold performance, rising on a straight-line basis to 100% vesting at maximum performance. The Committee views the Book-to-bill target to be strategically critical to the longer-term success of the Company and that there should be no vesting below target performance. Performance below target will deliver a 0% vesting outcome. The vesting level for on-target performance will be 50%, with straight-line vesting between target and maximum. This is a more stringent approach than that required under the Policy. The vesting level for on-target performance is 50% of these elements, rising on a straight-line basis to 100% for maximum performance.

Directors’ Remuneration Report continued

Non-Executive Directors

Following the annual review of Non-Executive Director fees, the Committee (in respect of the Board Chair’s fee) and the Board (in respect of all other Non-Executive Director fees) determined that a 2.75% increase should apply from 1 April 2025 (this is in line with the average increase which will apply to the wider workforce). In line with the approved Policy, the fees to apply in 2025 will be as follows:

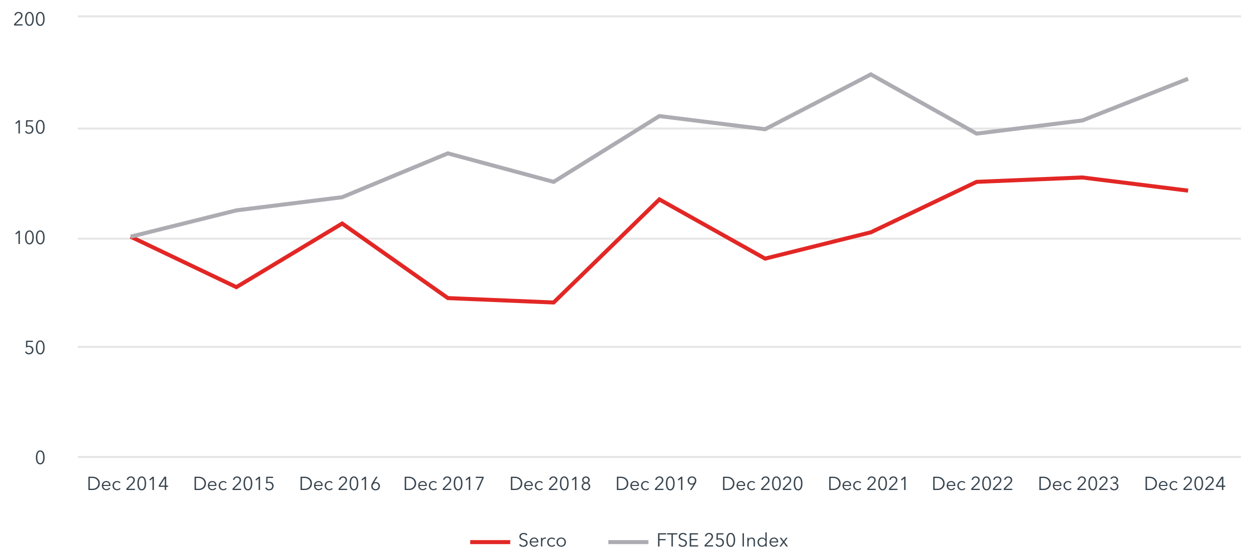
	Base fee to apply from 1 April 2025 £	Base fee 1 April 2024 £	Change £
Element – Annual Board and Committee fees			
Board Chair	308,000	299,936	8,064
Senior Independent Director	15,750	15,450	300
Board fees	59,800	58,193	1,607
Chair of a Board Committee (Audit, Corporate Responsibility, Risk or Remuneration)	13,750	13,390	360
Membership of a Board Committee (Audit, Corporate Responsibility, Risk or Remuneration)	5,500	5,356	144
Designated Non-Executive Director	5,500	5,356	144

No additional fee is payable for the Chair or membership of the Nomination Committee. The Board Chair does not receive any additional fees for his Committee memberships.

Performance graph and table

This graph shows the value as at 31 December 2024, of a £100 investment in Serco on 31 December 2014 compared with £100 invested in the FTSE 250 index on the same date. It has been assumed that all dividends paid have been reinvested. The TSR performance for the long-term incentives applies over a different period and details of the Company’s performance versus the FTSE 250 relevant to the 2024 single figure can be found on page 106.

The TSR level shown at 31 December each year is the average of the closing daily TSR levels for the 30-day period up to and including that date. The Company chose the FTSE 250 index as the comparator for this graph as Serco has been a constituent of that index throughout the period.



Directors' Remuneration Report continued

CEO's pay in last ten financial years

Year ended 31 December	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Group Chief Executive	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Rupert Soames	Mark Irwin	Mark Irwin
Single figure remuneration (£'000)	2,255	2,217	3,681	5,176	5,201	5,219	4,011	4,377	1,939	2,254
Annual bonus outcome (as % of maximum opportunity)	87%	82%	75%	77%	94%	80%	93%	88%	74%	89%
LTIP vesting outcome (as % of maximum opportunity)	100%	24%	91%	73%	71%	99%	89%	90%	N/A	N/A

Percentage change in Directors' remuneration

The table below shows the percentage change in remuneration for all Directors who served during 2024, compared to that for the average UK employee. The UK employee sub-set of the Company's global workforce has been chosen as the group which provides the most appropriate comparator. There are no employees in the Group's Parent Company. The UK employee population comprises some 18,000 of the approximately 50,000 individuals Serco employs worldwide. Inflation and local pay practices form a key driver in the salary and benefits provided in each location, and as the Directors' pay is set against the UK market (with the Executive Directors based in the UK), we have chosen employees within the same country. Information will need to be shown for each Director in the relevant year on a rolling five-year basis. 2024 is the fifth year of disclosure.

		Executive Directors		Non-Executive Directors							
	UK employees	Mark Irwin	Nigel Crossley	John Rishton	Kirsty Bashforth	Kru Desai	Victoria Hull	Tim Lodge	Ian El-Mokadem	Dame Sue Owen	Lynne Peacock
2024											
Salary/fees[1]	5%	2%	2%	3%	3%	3%	N/A	3%	3%	5%	3%
Benefits[2]	3.5%	111%	(26)%	42%	(8)%	N/A	N/A	196%	387%	N/A	N/A
Bonus[3]	(10)%	24%	24%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2023											
Salary/fees[1]	6%	N/A	10%	3%	3%	4%	N/A	3%	4%	10%	3%
Benefits[2]	– %	N/A	64%	23%	(27)%	N/A	N/A	(38)%	N/A	(17)%	87%
Bonus[3]	11%	N/A	3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2022											
Salary/fees[1]	4.5%	N/A	47%	26%	1%	467%	N/A	22%	1%	2%	7%
Benefits[2]	2%	N/A	102%	194%	435%	0%	N/A	100%	0%	100%	1%
Bonus[3]	(13)%	N/A	38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2021											
Salary/fees[1]	2.1%	N/A	N/A	146%	0%	N/A	N/A	N/A	8%	140%	15%
Benefits[2]	2%	N/A	N/A	128%	114%	N/A	N/A	N/A	0%	0%	0%
Bonus[3]	21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2020											
Salary/fees[1]	1.9%	N/A	N/A	0%	2%	N/A	N/A	N/A	4%	N/A	0%
Benefits[2]	(3)%	N/A	N/A	(51)%	(81)%	N/A	N/A	N/A	0%	N/A	0%
Bonus[3]	20%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1. The average salary change for UK employees for 2020 represents the average pay increase applied in the corporate annual pay review effective 1 April 2020. From 2021, the average salary change for UK employees represents the average level salary change recorded over the relevant financial year, excluding role changes or promotions, to better reflect our wider workforce pay rates, including those parts of our workforce subject to collective bargaining agreements, customer-set pay structures, or trade union negotiations. Changes in NED fees reflect changes in each individual's role on the Board and its Committees, in addition to the April 2023 fee uplift which was disclosed in the 2022 Report.
2. The nature of taxable benefits provided to all Directors and employees in 2024 remains the same as in prior years.
3. The bonus element is shown for those employees eligible for such payments. The figures shown here relate to a calculation of the bonus earned, but not yet paid, related to performance in 2024 compared to the 2023 bonuses paid in March 2024. The Executive Directors' 2024 bonuses over 100% of salary are subject to compulsory deferral for three years into shares. NEDs do not receive bonus pay.

Directors' Remuneration Report continued

CEO Pay Ratio

The table below shows how pay for the Group Chief Executive compares to our UK colleagues at the 25th, median and 75th percentiles.

	2019 (Option B)	2020 (Option B)	2021 (Option B)	2022 (Option B)	2023 (Option B)	2024 (Option B)	UK colleagues' salary[1]	UK colleagues' total pay and benefits[2]
25th percentile	1:219	1:186	1:168	1:141	1:80	1:74	£27,596	£30,415
Median	1:190	1:149	1:139	1:129	1:60	1:70	£30,148	£32,161
75th percentile	1:166	1:142	1:122	1:101	1:56	1:49	£42,852	£45,674

1. Includes salary enhancements such as shift allowances, unsociable hours payments and overtime.
2. Includes the value of employer pension contributions made to a defined contribution pension arrangement. Each of these representative colleagues participated in a salary sacrifice pension arrangement.

The Committee believes that the median ratio is consistent with the Company's pay, reward and progression policies for our UK colleagues, noting that, as in 2023, for 2024 the comparative Group Chief Executive pay figure is relatively suppressed due to the reduced variable pay component in this second year in role for the Group Chief Executive. As a business, Serco employs a very wide range of people with different skills, experiences and capabilities, and our colleagues' pay and benefits reflect this. The remuneration of Serco's Group Chief Executive has a significant weighting towards variable pay to align his remuneration with Company performance. In contrast, due to our workforce profile, all three of our pay ratio reference points represent frontline operational or administrative staff who are critical to the delivery of the commitments we make under our contracts every day. In line with market practice for such roles, these colleagues are in receipt of fixed pay only (including pension contributions). The increase in the median Pay Ratio from 2023 to 2024 is due to the strong financial performance in 2024, which contributed to a higher bonus outturn for the Group Chief Executive.

Consistent with prior years, we have used our 2024 Gender Pay Gap data to identify employee representatives at each pay quartile of our UK employee population. Employees were ranked by hourly pay and, where possible, full-time colleagues at the quartile points fulfilling common roles within the UK employee population were selected as the representatives for comparison. Given our diverse workforce and large number of UK employees across many contracts and payrolls, this is considered to be the most appropriate method of identifying employees who are representative of our workforce. The single figures for each representative employee (all of whom were full-time) were calculated in respect of the financial year to 31 December 2024. The single figures have been calculated taking into consideration regular salary and allowances (for example, shift allowances), employer pension contributions, taxable benefits and bonuses following the same approach taken in determining the Group Chief Executive's single figure. Significant salary enhancements, such as acting up allowances, which were not received at the date the pay was calculated for Gender Pay Gap purposes are disregarded from the single figure calculation for the representative employees to avoid over-inflating the representative pay at the quartile levels. The pay and benefits figures for the employee representatives do not include any amounts in respect of long-term incentives as these are only available to the most senior members of the Group.

External appointments

The Board believes that the Group can benefit from its Executive Directors holding appropriate non-executive directorships of companies or independent bodies. Such appointments are subject to the approval of the Board. Fees are retained by the Executive Director concerned. Neither Executive Director held any external appointments in the year.

Directors' shareholding and share interests (audited information)

Current shareholdings are summarised on page 99. Shares are valued for shareholding guideline purposes using the closing share price of £1.513 on 31 December 2024 (being the last trading day of the financial year).

			Share awards		Share options		
Name[1]	Share ownership requirements (% of salary)	Number of shares owned outright at 31 December 2024[2]	Subject to performance conditions[3]	Not subject to performance conditions[4]	Not subject to performance conditions[5]	Exercised during the year[6]	Total share interests at 31 December 2024[7]
Mark Irwin	200%	1,810,193	2,625,097	477,755	8,142	–	4,921,187
Nigel Crossley	200%	662,489	1,521,395	200,326	4,285	–	2,388,495

1. Both Executive Directors have exceeded their in-employment shareholding requirement.
2. Includes shares owned by connected persons.
3. Includes awards made to Mark Irwin and Nigel Crossley under the LTIP. All awards are in the form of conditional share awards.
4. These are awards made under the ESBP in connection with the compulsory deferral of bonus into shares. Awards are in the form of conditional share awards and have not yet vested.
5. Options over shares pursuant to participation in MyShareSave. These are options granted under a UK Sharesave plan subject to an exercise price at a maximum discount of 20% of the share price at grant. There are no unvested share options held which are subject to performance conditions.
6. There are no share options that are vested but unexercised.
7. There were no changes in Executive Directors' interests in the period between 1 January 2025 and the date of this report.

Directors' Remuneration Report continued

Non-Executive Directors do not participate in any share-based incentives and do not hold any interests in shares other than shares owned outright. Non-Executive Directors are encouraged to hold shares in the Company but are not subject to a shareholding requirement.

Name	Number of shares owned outright (including connected persons) at 31 December 2024[2]
John Rishton	43,086
Kirsty Bashforth	10,000
Kru Desai	–
Victoria Hull	–
Tim Lodge	40,000
Ian El-Mokadem[1]	50,000
Dame Sue Owen	10,000
Lynne Peacock	15,000

1. Jointly held with spouse.
2. There were no changes in Non-Executive Directors' interests in the period between 1 January 2025 and the date of this report.

Shareholder dilution

Awards granted under the Company share plans are met either by the issue of new shares or by shares held in trust when awards vest. The Committee monitors the number of shares issued under its various share plans and their impact on dilution limits. The relevant dilution limits established by the Investment Association in respect of all share plans is 10% in any rolling ten-year period. According to the rules of our employee share plans, we impose a 5% dilution limit for our discretionary employee share plans and 10% for all employee share plans. Dilution against these 5% and 10% limits is regularly reviewed. Based on the Company's issued share capital as at 31 December 2024, the Company had headroom of 1.19% and 6.19%, respectively, so our dilution level was within these limits. The Group has an employee share ownership trust which is administered by an independent trustee and which holds ordinary shares in the Company to meet various obligations under the share plans. The Trust held 11,351,967 and 13,418,111 ordinary shares at 1 January 2024 and 31 December 2024, respectively.

Voting outcomes

At the 2024 AGM, votes on remuneration matters were cast as follows:

	Year of AGM	For %	Against %	Number withheld[1]
2023 Annual Report on Remuneration	2024	90.76%	9.24%	6,275,479
2024 Remuneration Policy	2024	83.34%	16.66%	35,355

1. A 'Vote Withheld' is not a vote in law and is not counted in the calculation of the proportion of votes 'For' or 'Against' a Resolution.

Committee overview and activities

The Remuneration Committee

All members of the Committee are independent Non-Executive Directors, initially appointed for a three-year term. Their appointment may be terminated on three months' written notice.

The role of the Committee is to determine and recommend to the Board a fair and responsible remuneration framework that aligns the Executive management team to shareholders' interests and is designed to reward and incentivise them appropriately for their contribution to Group performance. The Committee's primary focus is to ensure a clear link between reward and performance. This means ensuring that the Policy, structure and levels of remuneration for the Executive Directors and other senior executives reinforce the strategic aims of the business and are appropriate given the market context in which Serco operates and the reward strategy throughout the rest of the business.

The Committee's composition, responsibilities and operation comply with the principles of good governance as set out in the UK Corporate Governance Code, the Listing Rules and the Companies Act 2006. The Terms of Reference for the Committee are available on the Company's website.

The Committee met four times during the year. Details of attendance at meetings are set out on page 77. Meetings of the Committee are normally attended by the Group Chief Executive, the Group Chief People and Culture Officer, the Group Director Reward and Recognition, the Group General Counsel, the Group Company Secretary, and representatives of Willis Towers Watson (WTW), the Committee's independent external advisers. No person is present during any discussion relating to their own remuneration arrangements.

Directors' Remuneration Report continued

Summary of the Committee's activities during 2024

The table below summarises the key issues that the Committee considered at each meeting. Remuneration packages for new hires and severance packages for roles subject to the Committee's oversight, together with regulatory and market developments were reviewed at each meeting as required. The Employee Dashboard and key points from the engagement with the workforce are considered at each meeting as appropriate.

Meeting	Key agenda items
February	Shareholder consultation update; Employee Dashboard review on policy and workforce demographics; 2023 annual bonus achievement and payouts for Executive Directors and Group Executive Committee members; 2024 bonus performance framework; 2021 LTIP vesting; and 2024 discretionary share award policy.
June	AGM voting results for the 2023 Remuneration Report and 2024 Remuneration Policy; and discretionary share awards update.
September	2024 UK Gender Pay Gap; and executives' shareholdings update.
December	Executive 2025 pay review; Employee Dashboard review including employee feedback on reward; 2024 bonus and 2022 LTIP performance update; and 2025 bonus and LTIP proposals.

The Committee conducted its annual performance review and the findings were mainly positive; the minor suggestions for improvement will be addressed.

External advisers

WTW provided advice to the Committee throughout the year. WTW is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct. The Committee is satisfied that WTW are providing robust and professional advice.

The fees in respect of 2024 paid to WTW (excluding VAT) are set out in the table:

Adviser	Appointed by	Services provided to the Committee	Fees for services provided to the Committee[1]	Other services provided to the Company[2]
WTW	Remuneration Committee in 2020	Advice on market practice; governance; reward consultancy	£79,722	Reward and benefits consultancy; provision of benchmark data; DRR review

1. Fees are determined on a time spent basis.
2. WTW do not, to the Committee's awareness, have any other connection with the Company or individual Directors.

Directors' Remuneration Report continued

Summary of the approved Remuneration Policy

The 2024 Policy took effect following shareholder approval at the 2024 Annual General Meeting (held on 24 April 2024). A summary of the 2024 Executive Director Remuneration Policy is provided below and the full approved Directors' Remuneration Policy, including that applicable to Non-Executive Directors, can be found on our website within the 2023 Annual Report and Accounts. This summary does not replace or override the full approved Policy.

Features of the 2024 Executive Director Remuneration Policy

The Policy table below for Executive Directors below sets out how each element of the 2024 Policy aligns with, and supports, our strategic objectives.

Base salary

Purpose and link to strategy

To recognise an individual's experience, responsibility and performance of the role, and by providing the basis for a competitive remuneration package; to help recruit and retain executives of the necessary calibre to execute Serco's strategic objectives.

Opportunity and operation

Salaries are normally reviewed annually, and any changes are usually effective from 1 April. Salary reviews take account of the individual's performance and contribution to the Company during the year as well as positioning against the market.

Any increases proposed will be with reference to the typical level of increase awarded to other colleagues in the jurisdiction in which the Executive Director is based. Higher increases may be made in exceptional circumstances, for example, where there has been a significant change in role size or complexity, which has resulted in the salary falling below a market competitive level given the enhanced responsibilities of the role. Full rationale would be disclosed in the relevant report.

In some circumstances an Executive Director may start on a lower salary than is market typical, with higher phased increases applying depending on performance in role and individual ability.

Benefits

Purpose and link to strategy

To provide a competitive level of benefits to enable the recruitment and retention of Executive Directors.

Opportunity and operation

The maximum opportunity for benefits is defined by the nature of the benefits and the cost of providing them. As the cost of providing such benefits varies based on market rates and other factors, there is no formal maximum monetary value.

A range of benefits may be provided to Executive Directors, including (but not limited to) Company car or car allowance, private medical insurance, permanent healthcare insurance, life cover, annual allowance for independent financial advice, relocation benefits and voluntary health checks.

Directors may also be eligible to participate in any all-employee share plans, with participation on the same basis as other employees, up to HMRC-approved limits (where relevant).

Pension

Purpose and link to strategy

To provide pension-related benefits to encourage Executive Directors to build savings for retirement, supporting the recruitment and retention of Executive Directors.

Opportunity and operation

Executive Directors may participate in the Group defined contribution pension plan (or overseas Serco pension plan, as appropriate).

The maximum contribution or cash allowance (or mix of both) for current Executive Directors will be aligned with the pension opportunity available to the wider workforce in the relevant jurisdiction in which the Executive is based. For a UK-based Executive Director, the maximum Company contribution (or cash payment in lieu) is 8% of salary.

Directors' Remuneration Report continued

Annual bonus

Purpose and link to strategy

To incentivise Executive Directors to achieve specific, strategically-aligned annual targets and objectives, and to reward ongoing stewardship and contribution to core values. Bonus deferral provides alignment with shareholder interests.

Opportunity and operation

Maximum bonus opportunity is 175% of salary for the Group Chief Executive and 155% of salary for other Executive Directors.

Bonus awards are based on the achievement of specific targets over the year and are paid after the end of the financial year to which they relate. Any bonus earned over 100% of salary is deferred into shares, typically vesting after three years.

The Committee may decide to pay the entire bonus in cash in certain exceptional circumstances. Dividend equivalents may accrue during the vesting period on the deferred bonus shares (in the form of cash or shares).

Malus and clawback provisions apply.

Performance framework

At the start of each performance year, the Committee reviews and sets objectives against key financial measures and strategic objectives aligned to the Group's overall strategy, annual business plan and priorities for the year, and the weighting for each measure.

At least 70% of the total bonus will be based on the achievement against financial measures with the remainder based on strategic and personal objectives which may include ESG objectives.

Bonus awards are at the Committee's discretion. The Committee may override the formulaic bonus outcome within the limits of the plan where it believes that the outcome is not reflective of wider performance, or affordability of the bonus, to ensure fairness to both shareholders and participants.

Awards are typically on a straight-line basis from 0% for threshold performance to 50% at target, and to 100% at maximum performance.

Long-term incentive – Serco Group Long Term Incentive Plan (LTIP)

Purpose and link to strategy

To recognise delivery of the Group's longer-term strategy and value creation and align the long-term interests of the Executive Directors with the Group's shareholders.

Opportunity and operation

Maximum annual award of up to 200% of base salary for the Group Chief Executive and 175% for other Executive Directors.

Share awards subject to performance conditions are normally granted annually, typically vesting on the third anniversary of their grant. A post-vesting holding period applies, usually ending on the fifth anniversary of grant. During this time, the shares must be retained but are not subject to forfeiture provisions. Shares may be sold in order to satisfy tax or other liabilities as a result of the vesting of the award.

At the discretion of the Committee, awards may be converted to a cash equivalent based on the value of the shares at the vesting date (in cases where due to local law, it is not possible to deliver shares), or subject to net settlement.

Dividend equivalents may accrue during the vesting period (in the form of cash or shares). Malus and clawback provisions apply.

Performance framework

At least 70% of the vesting of LTIP awards will be dependent on financial performance, with up to 30% of the vesting based on the achievement of strategic measures aligned with the Company's strategic plan, which may include ESG objectives. The Committee (with input from the Audit and Risk Committees as appropriate) considers Serco's underlying performance and external market reference points, as well as performance against the specific targets set in determining the overall outcome of the LTIP awards. The Committee retains discretion to determine the appropriate level of vesting.

The maximum vesting for threshold performance is 25% of the total award, and 100% vesting for maximum performance.

Shareholding guidelines

Purpose and link to strategy

To support long-term commitment to the Company and the alignment of Executive Directors' interests with those of shareholders.

Operation

Executive Directors are required to build up and maintain holdings in Serco Group plc as follows:

In-employment guideline

The in-employment shareholding guideline is 200% of salary. Executive Directors are required to retain, in shares, at least 50% of the net value of any performance shares vesting or options exercised until they satisfy the shareholding guideline.

Post-employment guideline

Reflecting the nature of Serco's business, the post-employment guideline is equal to 100% of the in-employment guideline (or actual shareholding on cessation if lower) for the first 12 months, and 50% of the in-employment guideline (or actual shareholding on cessation if lower) for the second 12 months.

Unvested awards that are subject to performance conditions are not considered in determining an Executive Director's shareholding for these purposes. Share price is measured as at end of the relevant financial year, or at the date of cessation as applicable.

Directors' Remuneration Report continued

Malus and clawback

Malus and clawback provisions apply to awards under the annual bonus and long-term incentive which enable the Committee, at its discretion, to reduce, cancel or recover some or all of the awards granted to Executive Directors in certain circumstances. These include (but are not limited to) a material misstatement of the Group's audited financial results; material or misleading results announcements prior to vesting; a clear and material contravention of Serco's Codes of Practice or Values; a serious failure of risk management; or an event that leads to serious reputational damage or corporate failure. Clawback may be invoked in the most serious of these circumstances and must be implemented within five years of the grant of the relevant long-term incentive or deferred bonus share award; and within two years in respect of a bonus award paid in cash.

The Committee has reviewed the appropriateness of the malus and clawback provisions to ensure that they remain aligned with regulatory expectations, shareholder interests, and prevailing market practice. Malus applies during the three-year vesting period of LTIP awards, while clawback extends for five years from grant. These timeframes reflect the Company's business model, contract lifecyle, and approach to risk management, promoting long-term accountability while maintaining competitiveness in executive remuneration.

Use of discretion

The Committee will operate the annual bonus plan and LTIP according to their respective rules and the Listing Rules, where applicable. The Committee retains discretion, consistent with market practice, in a number of areas with regard to the operation and administration of these plans. These include, but are not limited to, the timing of grant and vehicle of an award. Discretion may also be exercised, in line with the rules, when dealing with a change of control or restructuring of the Group, or in respect of adjustments as required in certain circumstances (for example, rights issues, corporate restructuring events and special dividends).

In relation to the long-term incentive and bonus, the Committee retains the ability, in exceptional circumstances, to change performance measures, targets and/or the relative weighting of performance measures part-way through a performance period if there is a significant event (such as a major transaction or, in the case of the bonus only, a transition in role) which causes the Committee to believe the original performance conditions are no longer appropriate.

In exercising this discretion, the Committee will determine that the original conditions are no longer appropriate, and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy. In exceptional circumstances, the Committee also has discretion to vary the proportion of bonus or LTIP that pay out, to ensure that the outcomes are fair and appropriate and reflect the underlying financial performance of the Group. Any use of the above discretions would, where relevant, be explained in the remuneration report.

Dates of Directors' service contracts/letters of appointment

Directors who served on the Board during the financial year ended 31 December 2024:

Director	Date of appointment to the Board
John Rishton	13 September 2016
Mark Irwin	1 January 2023
Nigel Crossley	21 April 2021
Kirsty Bashforth	15 September 2017
Kru Desai	21 October 2021
Victoria Hull	1 September 2024
Tim Lodge	21 February 2021
Ian El-Mokadem	1 July 2017
Dame Sue Owen	3 August 2020
Lynne Peacock	1 July 2017

Each Director is subject to election at the first AGM following their appointment and re-election at each subsequent AGM.

The Remuneration Report has been prepared to ensure that the Company's remuneration policies align with strategic objectives, governance principles and shareholder interests. The policies and practices set out in this report have been designed to attract, retain and motivate high calibre leadership, supporting Serco's long-term success. The remuneration framework will continue to be reviewed and refined to maintain competitiveness, transparency and compliance with evolving best practices and regulatory requirements.

Lynne Peacock
Chair of the Remuneration Committee
26 February 2025

Directors' Report: Other Information

Share capital and Rights attaching to shares

The Company had 1,023,855,243 ordinary shares of 2 pence each in issue as at 31 December 2024. Further details relating to share capital can be found in note 30.

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

The Company is not aware of any agreement between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Authorities to allot and pre-emption rights

The powers of the Directors to issue or buy back shares are restricted to those approved at the Company's Annual General Meeting.

At the Annual General Meeting on 24 April 2024, pursuant to Section 570 of the Companies Act 2006, shareholders approved the disapplication of pre-emption rights in connection with the issue of shares for cash up to 10% of the existing issued share capital and an additional 10% (only to be used in connection with an acquisition or specified capital investment) and in connection with a follow-on offer to existing shareholders not allocated shares under an issue made pursuant to either of the authorities. These authorities will expire at the conclusion of the 2025 Annual General Meeting.

Authority for the purchase of shares

At the Annual General Meeting on 24 April 2024, the Company was granted authority by shareholders to purchase up to 109,996,914 ordinary shares (10% of the Company's issued ordinary share capital). This authority will expire at the conclusion of the 2025 Annual General Meeting, at which a resolution will be proposed for its renewal, or, if earlier, 30 June 2025.

As announced on 29 February 2024, the Company undertook a programme to purchase its own shares with a value of up to £140m. During the year, the Company purchased a total of 79,690,723 shares with a nominal value of £1,593,814.46 (representing 7.78% of the Company's issued share capital (excluding those purchased and held in treasury) as at 29 November 2024; the date the repurchase programme was completed) at a total cost of £141.3m. The Company cancelled all shares that were purchased and held in treasury.

Employee share schemes

The details of the Company's employee share schemes are set out on page 101 in the Directors' Remuneration Report and in the Employee engagement section on page 121.

The Company's share plan rules contain provisions in relation to a change of control. Outstanding options and awards may vest and become exercisable on a change of control of the Company, in accordance with the rules of the plans.

Results, dividends and dividend waiver

The results for the year are set out in the Statement of Comprehensive Income on page 136. Our dividend policy for 2025 remains to increase dividends and reduce the payout ratio of underlying profit after taxation dividend cover to approximately three times over the medium term. The Directors recommend the payment of a final dividend of 2.82 pence per share for 2024 (2023: 2.27 pence), making a total ordinary dividend of 4.16 pence per share (2023: 3.41 pence).

The recommended final dividend is subject to approval at the AGM on 24 April 2025. The final dividend will be paid on 9 May 2025, with an ex-dividend date of 10 April 2025 and a record date of 11 April 2025. The Serco Group plc 1998 Share Ownership Trust, an employee benefit trust, which holds 13,418,111 shares in the Company as at 31 December 2024 in connection with the operation of Serco's share plans, has lodged standing instructions to waive dividends (except for one pence) on shares held by it that have not been allocated to employees. The total amount of dividends waived during 2024 was £523,652.

Directors and Directors' interests

The names of the Directors who served during the year can be found in the attendance chart on page 77.

Directors' interests in the shares of the Company are set out on pages 112 and 113 in the Directors' Remuneration Report. None of the Directors had interests in shares of the Company greater than 0.48% of the ordinary shares in issue. There have been no changes to Directors' interests in shares since 31 December 2024.

Branch offices

The Group operates through branches of subsidiary companies in the following jurisdictions: Abu Dhabi, Dubai, France, Italy, the Kingdom of Saudi Arabia, Qatar, Ras Al Khaimah, Sharjah and Switzerland.

Significant agreements that take effect, alter or terminate upon a change of control

Given the business-to-government nature of many of the services provided by the Company and its subsidiaries, many agreements contain provisions entitling the other parties to terminate them in the event of a change of control, including a takeover of the Company. The following agreements are those individual agreements which the Company considers to be significant to the Group as a whole that contain provisions giving the other party a specific right to terminate if the Company is subject to a change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

No Director had a material interest in any contract of significance in relation to Serco's business at any time during the year or at the date of this report.

Directors' Report: Other Information continued

Material contracts

Clarence Correctional Centre: On 14 June 2017, NorthernPathways Project Trust (of which Serco Australia Pty Limited was a member at the time) entered into a project deed with the Australian State of New South Wales to design, construct and operate a new build prison named the New Grafton Correctional Centre, the name of which has subsequently been changed to Clarence Correctional Centre. Also, on 14 June 2017, Serco Australia Pty Limited entered into an operator sub-contract with NorthernPathways, pursuant to which Serco was awarded the rights to operate the prison. The prison entered operations on 1 July 2020, following acceptance of the completed Clarence Correctional Centre by the State (Commencement Date). The operator sub-contract will run for 20 years from the Commencement Date. Both the project deed and the operator subcontract contain change of control provisions that provide that any change of control to an unrelated third-party that has not been approved by the State of New South Wales would be a major default. A major default under either the project deed or operator sub-contract, if not cured, could result in a termination of that contract.

Australian Immigration Services: On 11 December 2014, Serco Australia Pty Limited entered into a contract with the Commonwealth of Australia (acting through the Department of Immigration and Border Protection) for the provision of detention services at all onshore immigration facilities in Australia. The contract has an initial five-year term, with two two-year extension options. The first option was exercised by the client in late 2019 and the second option was exercised in 2021,with an original end date December 2023. In August 2023, the client negotiated two further six month extension periods, taking the end date to December 2024. The contract has now entered a six month transition out process ending in June 2025. In the event of a change in control or ownership of Serco Australia Pty Limited, which in the reasonable opinion of the Commonwealth adversely affects the Company's ability to perform the services, the contract may be terminated by the Commonwealth.

Subcontract relating to the provision of ADF Health Services by Bupa Health Services Pty (Bupa) to the Commonwealth of Australia, Department of Defence (NGHS Contract): On 4 February 2019, Serco Australia Pty Limited entered into a Subcontract with Bupa for the provision of national garrison health services to the Commonwealth of Australia, Department of Defence. The contract had a services commencement date of 1 July 2019, with an initial six-year term. The NGHS Contract includes a change of control provision that provides that a change of control of the ultimate holding company, Serco Group plc, requires Bupa's prior written consent. If the change is as a result of market transactions, then Bupa is to be notified as soon as possible and consent sought after the event. On request, details of the change and its impact on Serco Australia Pty Limited's obligations under the NGHS Contract are to be provided to Bupa. Bupa may provide consent to the change subject to conditions. If Bupa does not consent to the change of control, Bupa may terminate the NGHS Contract for default.

Special Security Agreement: In order to bid and perform on certain classified contracts concerning US national security interests, Serco Inc. was required to mitigate its foreign ownership through a Special Security Agreement (SSA) among the US Department of Defense (DoD), Serco Inc., and Serco Group plc. The effective date of the current SSA is 24 September 2024. The DoD may terminate the SSA in the event of the sale of Serco Inc. to an entity not under Foreign Ownership, Control or Influence (FOCI).

CMS Eligibility Support Services: In July 2023, Serco Inc. was awarded a follow-on contract with the US Government (acting through the Centers for Medicare and Medicaid Services (CMS)) for the provision of support for the Exchanges implemented to provide affordable health insurance and insurance affordability programmes. The contract has an initial base term of one year, with four options of one year each, and one final seven-month option. In the event of a change in control or ownership of Serco Inc., which in the reasonable opinion of the US Government adversely affects the Company's ability to perform the services, the contract may be terminated by the US Government.

Anti-Terrorism/Force Protection (AT/FP) Ashore Program Global Sustainment Contract: In February 2021, Serco Inc. was awarded a contract with the US Government (acting through the Naval Facilities Engineering Systems Command) to provide sustainment services for electronic anti-terrorism and force protection systems at US Navy installations around the world. The contract has an initial base term of five years, with one option for an additional three years. In the event of a change in control or ownership of Serco Inc., which in the reasonable opinion of the US Government adversely affects the Company's ability to perform the services, the contract may be terminated by the US Government.

Asylum Accommodation and Support Services Contract (AASC): On 8 January 2019, Serco Limited entered into contracts with the Secretary of State for the Home Department (acting through its UK Home Office Visas and Immigration department) (the Home Office) for two AASC regions, being the North West of England and the Midlands & East of England. Under AASC, Serco is responsible for the provision of properties for initial and dispersed accommodation requirements, for transportation to and from properties, and for a range of other services to support the welfare of asylum seekers. The AASC contracts became operational on 1 September 2019. The contracts are for a ten-year term. In the event of a change of control or ownership of Serco Limited or Serco Group plc, which in the reasonable opinion of the Home Office adversely affects Serco's ability to perform the services, the contracts may be terminated by the Home Office.

Agreement relating to the Continued Procurement of Marine Services (CPMS): On 11 November 2022, Serco Limited entered into a contract with the Secretary of State for Defence (MoD) to continue to provide support services to the Royal Navy (the CPMS Contract). The CPMS Contract commenced on 17 December 2022 with the current term of the contract running until 31 March 2025 with an option for the SSD to extend by a further six months to 30 September 2025. The option to extend to 30 September 2025 was exercised by the MoD with the four successor Defence Marine Services – Next Generation (DMS-NG) contracts to commence service delivery on 1 October 2025. Serco Limited has submitted tenders for three of those DMS-NG contracts with contract awards expected in the first quarter of 2025. In the event of a change of ownership of Serco Limited or Serco Group plc to what the MoD may consider an "Unsuitable Third Party" (i.e. a legal person whose activities, in the reasonable opinion of the MoD, pose a threat to national security; whose activities are incompatible with operations, activities, legal duties or other functions of the MoD; or who is inappropriate because of specific information received by the MoD from the Crown, the SFO or the CPMS about their suitability), the contract may be terminated by the MoD.

Directors' Report: Other Information continued

Concession Agreement relating to the operation of Merseyrail: Serco Holdings Limited is a 50% shareholder in Merseyrail Services Holding Company Limited (the Merseyrail JV Co). Serco Holdings Limited's joint venture partner and the other shareholder in the Merseyrail JV Co is Transport UK Group Limited (following the acquisition of Abellio Transport Group Limited by its management team and related restructuring).

The Merseyrail JV Co is the concessionaire for the Merseyrail rail network under a concession agreement dated 23 May 2003 (the Merseyrail Concession Agreement) among Merseytravel (the passenger transport executive responsible for co-ordination of public transport in the Liverpool city region), the Merseyrail JV Co and Merseyrail Electrics 2002 Limited (the Merseyrail Operating Co). The Merseyrail Operating Co is a wholly-owned subsidiary of the Merseyrail JV Co. The Merseyrail Concession Agreement expires in July 2028 with an option to extend to July 2033 by agreement of the parties. In the event there is a change of control of Serco Holdings Limited or Serco Group plc without Merseytravel's prior consent then the Merseyrail Concession Agreement may be terminated by Merseytravel. In addition, there would be a requirement under the terms of the JV agreement to consider the representations of Transport UK Group Limited in relation to the conduct of any such change of control.

Electronic Monitoring Services Contract (EMS): On 27 October 2023, Serco Limited entered into a contract with the Secretary of State for Justice (the MoJ) for the provision of electronic monitoring services, field monitoring services and other related services. The EMS Contract has an initial six-year term commencing on 1 May 2024 and ending on 30 April 2030 with an option for the MoJ to extend the EMS contract for up to a maximum of a further two years to 30 April 2032. In the event of a change of control or ownership of Serco Limited or Serco Group plc for which the MoJ has not given its prior written consent, the EMS contract may be terminated by the MoJ during the six-month period following the change of control.

Future Defence Infrastructure Services (FDIS) programme: Serco Holdings Limited is a 50% shareholder in VIVO Defence Services Limited (the VIVO JV). Serco Holdings Limited's joint venture partner and the other shareholder in the VIVO JV is a UK subsidiary company of EQUANS SAS (EQUANS Holding UK Limited) which is now part of the Bouygues Group (following its acquisition of EQUANS from Engie). The VIVO JV performs facilities management services pursuant to call-off contracts procured by the UK Defence Infrastructure Organisation (DIO) part of the UK Ministry of Defence under a Crown Commercial Services Framework Agreement for the provision of Workplace Services (RM6089) (the CCS Framework) as part of the Future Defence Infrastructure Services (FDIS) programme. On 14 June 2021, VIVO entered into two call-off contracts (one for the Central Region and one for the South West Region) for Lot 3 contracts under the CCS Framework for a seven-year term (with the possibility of extension for further periods of up to three years) (the Lot 3 Contracts). The Lot 3 Contracts became operational on 1 February 2022. On 24 June 2021, VIVO entered into two further call-off contracts (one for the South East and one for the South West Region) for Regional Accommodation Maintenance Services (RAMS) under Lot 2b for an initial seven-year term (with the possibility of extension for further periods of up to three years) (the Lot 2b Contacts). The Lot 2b Contracts become operational on 1 March 2022. Under the terms of the CCS Framework, in the event of a change of control of VIVO without the prior approval of the DIO, the Lot 2b Contracts and Lot 3 Contracts may be terminated by the DIO. In the event that there is a change of control of Serco Holdings Limited, it is required to transfer its entire shareholding in the VIVO JV to Serco Group plc or another wholly-owned subsidiary of Serco Group plc prior to such change of control. In the event that there is a change of control of Serco Holdings Limited without its entire shareholding in the VIVO JV first being transferred to another member of the Serco Group or if there is a change of control of Serco Group plc then, unless the prior approval of the other shareholder in the VIVO JV is given, the other shareholder in the VIVO JV is entitled to purchase the VIVO JV shares and loans held by Serco Holdings Limited and any other member of Serco Group plc at fair market value determined by an expert.

Financing facilities

Revolving credit facility: The Company has a £350,000,000 revolving credit facility dated 18 November 2022 with a syndicate of banks. The facility provides funds for general corporate and working capital purposes and bonds to support the Group's business needs. The facility was undrawn as at 31 December 2024.

The facility agreement provides that, in the event of a change of control of the Company, each lender may, within a certain period, call for the prepayment of the amounts owed to it and cancel its commitments under the facility.

US notes: At 31 December 2024, the Company had US private placement loan notes outstanding under two Note Purchase Agreements (the USPP Agreements) dated 8 October 2020 and 27 February 2024, respectively. The total amount of the notes outstanding under the two USPP Agreements was US$350,000,000 at 31 December 2024, with their maturities between October 2025 and February 2034. Under the terms of all the USPP Agreements, if a change of control of the Company occurs, it is required to offer to prepay the entire principal amount of the notes together with interest to the prepayment date but without payment of any make-whole amount.

Employment policies

The Board is committed to maintaining a working environment where employees are individually valued and recognised. Group companies and Divisions operate within a framework of human resources policies, practices and regulations appropriate to their own market sector and country of operation, while subject to Group-wide policies and principles.

Diversity

The Group is committed to ensuring equal opportunity, honouring the rights of the individual, and fostering partnership and trust in every working relationship. Policies and procedures for recruitment, training and career development promote diversity, respect for human rights and equality of opportunity regardless of gender, gender reassignment, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin.

The Group promotes diversity and inclusion so that every employee is able to be successful. The Group gives full consideration to applications for employment, career development and promotion from persons of disability, and offers employment when suitable opportunities arise. Wherever practicable, adjustments will be made for persons with a disability to continue with employment and training.

In response to the US President's Executive Orders regarding Diversity, Equity and Inclusion and Gender Ideology in January 2025, we are actively reviewing the policies and practices applicable to our operations and employees in the United States to ensure full compliance with the relevant laws.

Directors' Report: Other Information continued

Human rights

Serco is committed to respecting the human rights of individuals in all aspects of our business, wherever we operate. Living our Values of Trust, Care, Innovation and Pride requires respect for human rights. Human rights are fundamental rights and freedoms, and standards of treatment to which people are entitled.

We are committed to complying with laws relating to human rights, either directly or indirectly, throughout our business. Recognising all applicable modern slavery legislation, we will not engage in any form of human trafficking or use forced, bonded, illegal or child labour, nor knowingly work with anyone who does. We consider international human rights standards as a framework to assess, monitor, mitigate and remedy any actual or potential adverse human rights impacts that may affect our business. We provide guidance and support to our employees to help them identify, manage and respond to any risk or issue; and maintain confidential reporting resources for anyone concerned about violations of our Values, policies or Code of Conduct, and are clear that anyone raising a concern in good faith or assisting with an investigation will not be retaliated against.

Our commitment to human rights is set out in our Group Human Rights Policy Statement, related operating procedures, and relevant sections of mycode. We use international human rights principles such as the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Global Compact and the United Nations Guiding Principles on Business and Human Rights to guide decision making, constructive engagement and the assessment and management of adverse human rights impacts.

Further information is available in our human rights supplement on our website.

Employee engagement

The Group is proud of its record of managing employee relations and believes that the structure of individual and collective consultation and negotiation is best developed at a local level. Over the years, the Group has demonstrated that working with trade unions and creating effective partnerships allows improvements to be delivered in business performance as well as in employment terms and conditions. Where employees choose not to belong to a trade union, employee communication forums such as works councils exist to ensure involvement of employees within the business. The Group has been proactive in providing employees with information on matters of concern to them as employees and in taking their views into account.

Effective leadership and line management are our principal means of engagement and employee feedback is invited through Viewpoint (our employee engagement survey); Speak Up (our global ethics helpline and investigation process); Yammer (our internal social media platform); and Colleague ConneXions (our approach to amplifying employee voice and strengthening dialogue between the Board and employees).

These mechanisms ensure that employees' views are considered in decision-making and that they have a common awareness of Group strategy, matters of concern to them and the financial and economic factors affecting the performance of the Company.

Participation by employees in the success of the Group is encouraged by the availability of long-term incentive arrangements for senior management, which effectively aligns their interests with those of shareholders by requiring that Company-level financial performance criteria are achieved as a condition of vesting.

We have also continued to strengthen our global benefits offerings and created further opportunities for colleagues to share in the success of the Company. The Group offers MyShareSave, which is an all-employee savings-linked share option plan open to the majority of employees.

MyShareSave allows employees to enter into a savings commitment of 36 monthly payments for a fixed amount of between £5 and £150 per month, on completion of which the options may, subject to leaver provisions, be exercised with the savings used to buy shares at a discounted option price. MyShareSave was launched in 2022 and options are granted annually, with the exercise price set at up to a maximum of 20% discount of the share price on the date of grant.

Further information is contained in the Our People and Culture section on pages 30 to 32, the People section of the Impact report on pages 36 to 41 and in the separate People Report which is available on our website.

Corporate responsibility

Our commitment to a responsible business approach is built on our Values, acting with integrity and making ethical decisions. This is integral to our purpose of having a positive impact on the future. We have been committed to delivering and communicating our position and performance across environmental, social and governance (ESG) criteria for many years. ESG factors are embedded in how we deliver our strategy, defined and driven through our Impact Framework. Our framework brings strategic ESG priorities together in one model. This is driven through the Serco Management System with appropriate Board and Executive oversight and dedicated leadership at both Group and Divisional levels.

Board oversight and scrutiny of environmental, social and certain governance matters (including anti-corruption and anti-bribery, human rights, environmental approach, health and safety and other employee matters) is embedded in our corporate governance through the Corporate Responsibility Committee. Oversight and scrutiny of other governance matters is distributed between all Board Committees, with certain matters reserved for the Board itself.

Further information can be found in our Corporate Responsibility Committee report on pages 95 and 96, the Impact Report on pages 33 to 55, the TCFD Compliance Statement on pages 56 to 60 and the Impact performance and data disclosure 2024 on pages 214 to 220.

Political donations

Shareholder authority to make aggregate political donations not exceeding £100,000 was obtained at the AGM on 24 April 2024. During the year, neither the Company nor any of its subsidiaries made any political donations as defined by the Companies Act 2006.

Within the US business there exists a Political Action Committee (PAC), which is funded entirely by employees. The Serco PAC and its contributions are administered in strict accordance with regulatory requirements. Employee contributions are entirely voluntary and no pressure is placed on employees to participate. Under US law, an employee-funded PAC must bear the name of the employing company.

Directors' Report: Other Information continued

Viability Statement and Going Concern

The Company's Viability Statement and Going Concern can be found on pages 72 to 73 and 141 to 142, respectively.

Notifiable interests in share capital

Information provided to the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (DTR 5) is published on a regulatory information service and on the Company's website.

At 31 December 2024, the following information had been received in accordance with DTR 5 from holders of notifiable interests in the issued share capital of the Company:

	No. of ordinary shares	% of issued share capital
BlackRock, Inc	89,237,719	8.17
FIL Limited	52,272,758	5.10
Marathon Asset Management Limited	54,372,120	4.93
Slater Investments	54,352,261	4.93

Since 31 December 2024, the Company has received the following notifications in accordance with DTR 5 from holders of notifiable interests in the issued share capital of the Company:

- On 6 January 2025, JPMorgan Asset Management Holdings Inc. notified that it had increased its interest to 52,154,199 representing 5.09%.
- On 9 January 2025, FIL Limited notified that it had increased its interest to 58,087,555 representing 5.67%.
- On 16 January 2025, JPMorgan Asset Management Holdings Inc. notified that it had increased its interest to 52,644,990 representing 5.14%.
- On 17 January 2025, JPMorgan Asset Management Holdings Inc. notified that it had increased its interest to 53,984,192 representing 5.27%.

The information provided above was correct at the date of notification. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the notifiable threshold is crossed.

Other information

Likely future developments in the Group are contained in the Strategic Report on pages 22 to 75.

A summary of the Group's treasury policies and objectives relating to financial risk management, including exposure to associated risks, is set out in note 28 on pages 179 to 184.

Details on how the Company has complied with section 172 of the Companies Act 2006 can be found throughout the Strategic and Directors' Reports and on pages 74 and 75.

Details relating to post-balance sheet events are set out in note 36 on page 197.

Details relating to underlying operating profit can be found on page 28.

Details relating to Research and Development can be found on page 163.

The Directors' Report comprises pages 83 to 122, together with the sections of the 2024 Annual Report and Accounts incorporated by cross reference.

The Directors' Report on pages 83 to 122, together with the Strategic Report on pages 1 to 75, serve as the Management Report for the purpose of Disclosure Guidance and Transparency Rule 4.1.8R.

Approved by the Board of Directors and signed on its behalf by:

Nickesha Graham-Burrell
Group Company Secretary
26 February 2025

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and, in respect of of the Parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on our website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule (DTR) 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with these requirements.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

The Directors, whose names and functions are set out on pages 79 to 81, confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

26 February 2025

Mark Irwin
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Financial Statements

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Independent Auditor's Report

To the members of Serco Group plc

1 Our opinion is unmodified

We have audited the financial statements of Serco Group plc ("the Company") for the year ended 31 December 2024 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2 of the Group financial statements and note 37 of the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the directors on 27 May 2016. The period of total uninterrupted engagement is for the 9 financial years ended 31 December 2024. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2023, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members, as a body, may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Revenue recognition – Revenue £4,787.3m (2023: £4,873.8m), and Accrued Income and Other Unbilled Receivables £289.0m (2023: £287.6)

Risk vs 2023: ◀▶

Refer to page 89 (Audit Committee Report), pages 141 to 151 (accounting policy), pages 151 to 153 (key sources of estimation uncertainty), pages 161 and 162 (revenue from contracts with customers note in the financial statements) and pages 173 and 174 (contract assets, trade and other receivables note in the financial statements).

The risk

Accounting Application

The many and sometimes unique contractual arrangements that underpin the measurement and recognition of revenue by the group (excluding Americas) can be complex, particularly in relation to variable revenue, with judgement involved in the assessment of current and future financial performance. The key judgements impacting the recognition of revenue and resulting operating profit include:

- Interpretations of terms and conditions in relation to the required service obligations in accordance with contractual arrangements;
- The allocation of revenue and costs to performance obligations where multiple deliverables exist;
- Assessment of measures of completion where required;
- Consideration of the Group's performance against contractual obligations including contractual Key Performance Indicators (KPI), where relevant, and the impact on revenue and costs of delivery from related deductions and abatements;
- Identification of onerous contracts and the associated provisions; and
- The recognition and recoverability assessments of accrued income and other unbilled receivables.

Revenue in the Americas is predominantly non-judgemental, with less complex contractual terms which are common across the majority of contracts. As for the prior year we assess this revenue to have a lower level of risk compared to the rest of the group. As such, our Significant Risk does not cover revenue of £1,326.1m (2023: £1,362.8m) and related accrued income and other unbilled receivables within the Americas segment of the business. However, due to their materiality and the level of resources and efforts of the engagement team required to perform the related audit procedures, these remain part of the Key Audit Matter.

Professional standards require us to make a rebuttable presumption that the fraud risk associated with revenue recognition is a significant risk. The potential for incentive/pressures on management to achieve bonus targets and/or market consensus increase the risk of fraudulent revenue recognition. The opportunity is considered to apply to the group's contracts with customers (excluding the Americas) and we have identified a fraud risk over revenue recognition.

Independent Auditor's Report continued
To the members of Serco Group plc

Our response
We performed the tests below rather than seeking to rely on any of the Group's controls (outside of the Americas) because the nature of the balance and the varied contractual arrangements are such that it is most effective to obtain evidence primarily through the detailed procedures described. We were able to place reliance on controls over revenue in the Americas where the nature of revenue recognition is predominantly non-judgemental, allowing us to rely on system generated information.

Our procedures included:

Contracts were selected for substantive audit procedures based on qualitative factors, such as commercial complexity, and quantitative factors, such as financial significance and profitability, that we considered to be indicative of risk. In addition, a number of contracts were selected haphazardly which otherwise did not meet these criteria. Our audit testing for the contracts selected included the following:

Assessing policy application
We inspected those contracts selected for substantive procedures to identify the key contractual terms relevant to assess the method of revenue recognition. We determined whether these were in accordance with the Group's accounting policies and relevant accounting standards, including the appropriate recognition of revenue as performance obligations are satisfied on service contracts.

Accounting analysis
We inspected and challenged accounting papers prepared by the Group to explain the positions taken in respect of key contract judgements including contract modifications and onerous contracts. We also challenged whether it is highly probable that the variable revenue recognised will not be reversed in future periods as required by the application of the revenue constraint in accordance with the Group's accounting policy and relevant accounting standards.

Tests of details
To assess whether revenue was recognised appropriately in accordance with the Group's accounting policy and relevant accounting standards, for these contracts:

- we agreed a sample of revenue to documents such as invoices or purchase orders associated with contract services, or customer agreements for the work performed, as well as cash receipts;
- we inspected a sample of customer contracts to identify any contractual KPI obligations and assessed the contract's operational performance against those obligations and deductions and abatements relating to these where relevant; and
- we investigated a sample of customer contracts to identify contractual variations and claims and where these arose, obtained evidence of correspondence with customers and third parties.

In addition, we undertook additional data analytic procedures over the remaining UK & Europe revenue in relation to performance obligations satisfied over time (which represents 44% of group revenue) in order to identify revenue recognised using journals which did not meet our expectations in respect of revenue and revenue related transactions. For a selection of revenue which did not meet our expectations we obtained audit evidence to support the postings made and agree them to supporting documentation.

Site visits
For all divisions the Group Audit team and relevant component teams attended a selection of monthly Divisional and Business Unit Performance Reviews used to assess business performance by the Group's management in order to inform our assessment of operational and financial performance of the contracts.

The Group Audit team and each of the component teams performed a selection of physical contract site visits and also made enquiries of contract and Business Unit management teams as to matters related to operational and financial performance in order to inform our assessment of operational and financial performance of the contracts.

For accrued income and other unbilled receivables, our procedures included:

Assessing application
We assessed whether contract related assets for those contracts selected in the form of revenue accruals had been recognised in accordance with the Group's accounting policy and relevant accounting standards.

Our sector experience
We assessed the contractual terms and conditions to identify the key obligations of the contract and compared these with common industry risk factors to inform our challenge of completeness of forecast costs.

Assessing transparency
We assessed whether the Group's disclosures in the financial statements provided sufficient detail regarding the revenue and accrued income and other unbilled receivables recognition policies and the key judgements applied.

Our results
We found the group's application of its revenue and contract asset recognition accounting policies, along with the key judgements, to be balanced (2023: balanced).

Independent Auditor's Report continued

To the members of Serco Group plc

Recoverability of group goodwill, including the value of impairment to goodwill – Goodwill £826.2m (2023: £906.7m), Impairment of Goodwill £114.5m (2023: nil)

Risk vs 2023: ▲

Refer to page 89 (Audit Committee Report), page 146 (Goodwill accounting policy), page 152 (key sources of estimation uncertainty relating to impairment of Goodwill), pages 168 to 170 (Goodwill note in the consolidated financial statements).

The Risk

Forecast-based assessment

The carrying value of Goodwill in the group's financial statements is significant and at risk of irrecoverability due to the inherent estimation uncertainty in valuing the recoverable amounts of the Group's cash generating units.

The estimated recoverable amount of these balances through value in use calculations applied by the Group relies on key assumptions across all CGUs, including the discount rate applied to future cash flows, the terminal growth rate, and projected win probabilities for new business and rebids. There is also complexity involved in the appropriateness of assumptions between fair vale less cost of disposal or value in use models.

The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, their key assumptions being discount rates and determining a terminal growth rate.

The Asia Pacific CGU was the most sensitive to key assumptions (2023: Asia Pacific CGU), including the discount rate, win probabilities for new business and rebids, and assumptions regarding large bids where there was a significant degree of uncertainty as to the outcome.

In 2023, we identified that the Asia Pacific CGU was highly sensitive to assumptions about the Australian Immigration re-bid. In November 2024, the result of the re-bid was announced with Serco losing the contract, which materially impacted the expected future cash flows for this CGU. Given the nature of these assumptions and the impact on forecast cash flows, changes in these variables may have a material impact on the impairment conclusion.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recoverable amount of the relevant CGUs had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements, and possibly many times that amount.

In conducting our final audit work, we concluded that reasonably possible changes to the value in use of the UKE, Americas and Middle East CGUs would not be expected to result in an impairment, but that the Asia Pacific CGU was impaired, with an impairment charge of £114.5m (2023: nil). The financial statements (Note 16) disclose the sensitivity for goodwill estimated by the Group.

Our response

We performed the tests below rather than seeking to rely on any of the Group's controls, as the group does not have formal controls in this area. Given the nature of the balances, detailed substantive testing is inherently the most effective means of obtaining audit evidence.

Our audit procedures over goodwill included:

Benchmarking assumptions

With the assistance of our valuation specialists, we challenged the key assumptions applied in Group's impairment model. We assessed the discount rate and the terminal growth rate against externally derived market data and observed market trends. Our analysis included reviewing changes in discount rates over the past 12 months for comparable entities, engaging comparison specialists to assess whether the Group's assumptions were within a reasonable market range, and challenging the Group's approach based on analyst expectations and market conditions.

Additionally, we evaluated the implied cumulative annual growth rate within the five-year forecasts and assessed these against past performance and market expectations. Win probabilities for new business and rebids were challenged by comparing the Group's assumptions to historical performance, adjusted for market conditions and expected pipeline opportunities. We also assessed forecast assumptions around new contract wins or rebids, contract attrition, and margin assumptions, leveraging our component auditors' local knowledge of market conditions. As part of this valuation, we also considered underperforming contracts and obtained feedback from our component auditors on the reasonableness of forecasts.

Historical comparisons

We compared actual cashflows for the past five years to historic forecasts to assess the historical accuracy of forecasts used in impairment models. Given the sensitivity in the Asia Pacific CGU, we also specifically assessed the longer-term win rate performance and assumptions in the model, comparing these to longer-term averages. Additionally, we engaged with our component teams to evaluate forecasts at a local level, ensuring consistency with past performance and expected market trends.

Independent Auditor's Report continued

To the members of Serco Group plc

Evaluation of Valuation Methodology
IAS 36 defines the recoverable amount of a CGU as the higher of its value in use and fair value less cost of disposal.. As the initial value in use estimated was below the carrying amount, we assessed whether the Group had appropriately estimated the fair value less cost of disposal and the appropriateness of adjustments made in the estimate. We ensured that the impairment test appropriately took the higher valuation of the two methods in reaching the conclusion.

Sensitivity analysis
We performed extensive sensitivity analysis on the impairment model, particularly for Asia Pacific, to determine a range of plausible impairment outcomes. This included testing the impact of changes in key assumptions such as discount rates, win rates, and growth assumptions. We also performed scenario testing for large complex bids where the outcome had a high degree of uncertainty, such as Base Services, where the tender process remains ongoing. Our analysis focused on assessing the range of possible outcomes and their potential impact on the impairment conclusion. Additionally, we evaluated the impact of combined plausible downside scenarios, considering the interdependencies between key assumptions and their cumulative effect on impairment conclusions.

Comparing valuations
We assessed whether the assumptions used in the value in use calculation were consistent with other estimates, including those used in determining the expected loss on onerous contract provisions, the recognition and recoverability of deferred tax assets, and the Directors' assessment of going concern and viability. Additionally, we compared the results of discounted cash flows against the Group's market capitalisation, adjusting for net debt to assess the reasonableness of the Group's valuation approach.

Assessing transparency
We also evaluated the adequacy of the Group's disclosures related to the estimation uncertainty, judgements made and assumptions over the recoverability of goodwill and the level of detail included in the disclosures. We challenged the Directors on the range of sensitivities considered to ensure that these reflected the key risks particularly in respect to the Asia Pacific CGU, with regards to both win rate assumptions being aligned to the longer-term five-year average and the assumptions regarding the Base Services bid and the weighting of potential outcomes of this bid together with the sensitivity to the discount rate to ensure overall the disclosure reflects the risks inherent in the valuation of goodwill and the resulting impairment in the Asia Pacific CGU.

We also evaluated the presentation of Impairment to Goodwill being presented as an exceptional item, considering Serco's stated policy in this area, the circumstances surrounding the impairment, and the judgements made by the Group in determining the presentation.

Our Findings
We found the Group's conclusion that there is no impairment of goodwill for the UK & Europe, Americas, and Middle East CGUs to be balanced (2023: balanced).

We found the Group's estimated recoverable amount of goodwill for the Asia Pacfic CGU and the related impairment charge to be optimistic (2023: n/a).

In determining the treatment of impairment to goodwill as an exceptional item there is room for judgement and we found that within that, the group's judgement gave more weight to arguments favouring treatment as exceptional.

The related goodwill disclosures, including those addressing sensitivities considered, were found to be proportionate (2023: proportionate).

Recoverability of parent's investment in subsidiary – Investment in Subsidiary £2,052.5m (2023: £2,052.5m)

Risk vs 2023: ◀▶

Refer to page 200 (Investments held as fixed assets note in the Company financial statements) and page 200 (Fixed Asset Investments accounting policy in the Company financial statements).

The Risk
Forecast-based assessment
The carrying amount of the parent Company's investments in subsidiaries represents 79% (2023: 79%) of the Company's total assets.

Their recoverability is not at a high risk of material misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.

Our Response
We performed the tests below rather than seeking to rely on any of the parent Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

In addition to those procedures included under the Recoverability of Goodwill KAM, our procedures included:

- Test of details: Comparing the carrying amount of the investment with the subsidiary's draft balance sheet to identify whether the net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount.
- Comparing valuations: Comparing the carrying amount of the investment to the market capitalisation of the Group (after adjusting for net debt)

Our Findings
We found the Group's assessment that there is no impairment of parent company's investment in subsidiary to be balanced (2023: balanced)

Independent Auditor's Report continued

To the members of Serco Group plc

3 Our application of materiality and an overview of the scope of our audit

Our application of materiality

Materiality for the Group financial statements as a whole was set at £9.7m (2023: £9.0m), determined with reference to a benchmark of Group Profit Before Tax from Continuing Operations (adjusted for impairment of Goodwill) (of which it represents 4.6% (2023: 4.5%)).

Materiality for the parent Company financial statements as a whole was set at £4.35m (2023: £4.10m), which is the component materiality for the parent company determined by the group auditor. This is lower than the materiality that we would otherwise have determined with reference to the parent company total assets, of which it represents 0.2% (2023: 0.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 75% (2023: 75%) of materiality for the financial statements as a whole, which equates to £7.27m (2023: £6.75m) for the Group and £3.26m (2023: £3.10m) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £485k (2023: £450k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement ("RMMs"). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified 25 components, having considered our evaluation of:

- the Group's operational structure
- the existence of common information systems
- the existence of common management across entities
- the existence of common risk profiles across entities
- geographical location

and our ability to perform audit procedures centrally.

	Quantitively Significant	Other in Scope	Total In-Scope	Out of Scope	Group Total
Number of Components	4	13	17	8	25
Revenue (£m)	3,899.2 (81.4%)	791.9 (16.5%)	4,691.1 (98.0%)	96.2 (2.0%)	4,787.3 (100%)
Profit before tax (£m)	46.9 (48.3%)	40.7 (42.0%)	87.6 (90.3%)	9.4 (9.7%)	97.0 (100%)
Assets (£m)	1,911.2 (71.8%)	610.1 (22.9%)	2,521.3 (94.7%)	142.0 (5.3%)	2,663.3m (100%)

Of those, we identified 4 quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

We also identified 12 components as requiring special audit consideration, owing to Group risks relating to revenue or share of results of joint ventures and associates, net of interest and tax residing in these components.

Additionally, having considered qualitative and quantitative factors, we selected 1 component with accounts contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on 17 components, of which we involved component auditors in performing the audit work on 15 components. We also performed the audit of the parent Company.

We set the component materialities, ranging from £5.06m to £0.36m, having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominantly substantive as we only placed limited reliance upon the Group's internal control over financial reporting.

Independent Auditor's Report continued

To the members of Serco Group plc

Group auditor oversight:

As part of establishing the overall Group audit strategy and plan, we conducted the risk assessment and planning discussion meetings with component auditors to discuss Group audit risks relevant to the components, including the key audit matter in respect of revenue recognition.

We visited all component auditors in the United Kingdom, the United States of America, Australia, the United Arab Emirates, Switzerland and Germany. Virtual meetings were also held on a regular basis during each phase of our audit with these component auditors. At these visits and meetings, the results of the planning procedures and further audit procedures communicated to us were discussed in more detail, and any further work required by us was then performed by the component auditors.

We inspected the work performed by the component auditors for the purpose of the Group audit and evaluated the appropriateness of conclusions drawn from the audit evidence obtained and consistencies between communicated findings and work performed, with a particular focus on revenue recognition.

We identified the main finance IT system, the consolidation system, the HR system and the procurement system used by the group, which are managed centrally, as well as the separate finance system used by the Americas component to be the main IT systems relevant to the audit.

The component auditors for the Americas used IT auditors to assist in their assessment of the design and operating effectiveness of the general IT controls of the separate Americas finance system. For the remaining systems described above, we used our IT auditors to assist us in assessing the design and operating effectiveness of the general IT controls.

In our previous audits we identified IT control deficiencies in some systems. As part of obtaining an understanding of the IT systems in the current year, we identified that deficiencies still existed. However, following our testing, including testing mitigating controls and performing impact assessments for deficiencies identified where necessary, we were able to place reliance on IT general controls in respect of all of the IT systems identified above in determining the work to be performed in the audit, particularly in regard to covering the completeness and accuracy of system generated information. We did not plan to rely on automated controls over journal entries due to the complexity of the associated systems. Therefore, our work to respond to the risk of management override of controls considered both automated and manual journals and we increased the extent of direct data testing over the completeness and reliability of data used in auditing journals.

We tested operating effectiveness and placed reliance on manual controls in relation to payables, which allowed us to reduce the extent of our substantive testing in this area, but not in our audit of revenue other than in the Americas, or payroll. For revenue outside the Americas, we did not place reliance on controls, due to the contract-driven nature of revenue recognition, meaning the substantive testing detailed in our key audit matter in section 2 of our report is inherently the most effective means of obtaining audit evidence. We were able to place reliance on controls over revenue in the Americas where the nature of revenue recognition is predominantly non-judgemental, allowing us to rely on system generated information. For payroll, we did not place reliance on controls due to our identification of control deficiencies in manual controls and the timing of relevant external service organisations' controls reporting. Accordingly, we increased the extent of our substantive procedures in relation to payroll.

4 The impact of climate change on our audit

In planning our audit, we considered the potential impacts of climate change on the Group's business and its financial statements.

The Group has made a commitment to be Net Zero across Scope 1, 2 and 3 emissions and to support its customers to meeting this target by 2050. Further information has been provided in the Group's Strategic Report on page 45. The Group's climate related disclosures as recommended by the Task Force on Climate Related Financial Disclosure (TCFD) are included on pages 56 to 60 of the Annual Report.

As part of our audit, we have made enquiries of the directors to understand the extent of the potential impact of climate change risk on the Group's financial statements. We have performed a risk assessment of how climate risks facing the Group and the Group's strategy to mitigate these risks may affect the financial statements and our audit. In addition, we also held discussions with our own climate change professionals to challenge our risk assessment.

Taking into account our risk assessment procedures, the nature and duration of the group's current contracts and pipeline and on the basis of our risk assessment we have determined that the climate change risks to the Group's business and strategy do not have a significant impact on the 2024 financial statements or our key audit matters. There was therefore no significant impact from climate change on our key audit matters.

We have also read the climate change related information in the front half of the Annual Report and considered consistency with the financial statements and our audit knowledge.

5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- Significant deterioration of contractual performance impacting on profit margins across the Group;
- Significant deterioration in the Group's ability to win new contracts and successfully retain existing contracts which are being rebid or bids for new contracts (focusing particularly on the Asia Pacific region as with the prior year);
- Significant committed cash outflows for planned acquisitions.

Independent Auditor's Report continued

To the members of Serco Group plc

We also considered less predictable but realistic second order impacts, such as possible impact of major contractual or other claims which could result in a rapid reduction of available financial resources, the potential for changes in government procurement in the wake of the change of government in the United Kingdom and the United States, the potential for reduced spending due to financial instability at certain local authorities in the United Kingdom, and the impact of recent developments in relation to international trade and tariff barriers.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks individually and collectively.

Our procedures also included:

- Critically assessing the cashflow forecasts and the appropriateness of the key assumptions in the base case and downside scenarios relevant to liquidity and covenant metrics, in particular in relation to profitability of existing contracts, and win rates assumed for future pipeline, by comparing to the group's approved budgets, growth and economic forecasts and our knowledge of the entity and the sector in which it operates;
- Challenging whether the break-points in the Group's reverse-stress test analysis were not plausible to occur by comparing these scenarios with the Group's previous experience, assessing the working capital assumptions by comparing the forecasts to actual recent experience and existing supplier/customer arrangements;
- Comparing actual performance in the current year to the budget prepared by the Group for the same period to assess the ability of the Group to prepare forecasts and budget accurately;
- Inspecting confirmations from lenders of the level of committed financing, and the associated covenant requirements;
- Making inquiries of relevant parties to understand the group's insurance arrangements in respect of certain items and obtaining copies of key insurance policies to corroborate the assertions made;
- Obtaining documentation confirming committed material cash outflows and related financing for the disclosed post-balance sheet acquisition and critically assessing the impact of this on the liquidity and covenant compliance in the near to medium term.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks, dependencies and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2 to be acceptable; and
- the related statement under the Listing Rules set out on pages 141 and 142 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit, internal and external legal counsel, and the Group's Ethics & Compliance function, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, including the minutes of certain committees of the board such as the Audit and Risk committees.
- Considering remuneration incentive schemes and performance targets for management and directors including the Revenue, Underlying Operating Profit and Free Cash Flow / Days Sales Outstanding targets for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Consultation with our own forensic professionals regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved the forensic professionals attending the Risk Assessment and Planning Discussion and discussion between the engagement partner and the forensic professional.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to component auditors of relevant fraud risks identified at the Group level and requesting component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

Independent Auditor's Report continued
To the members of Serco Group plc

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as assessing whether a long-term contract is onerous, the valuation of the provision in such cases, the recognition and valuation of provisions for disputes and litigation, and the selection of certain assumptions when testing for impairment of goodwill;
- the risk that revenue is overstated or understated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

Further detail in respect of the risk of fraudulent revenue recognition is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries and other adjustments to test at the Group level and for selected components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management or infrequent users, posted to unusual account combinations or seldom used accounts, containing high-risk terms in the description, and significantly backdated journals;
- Evaluating the business purpose of significant unusual transactions;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Selecting and subjecting to substantive procedures certain long-term contracts that were otherwise below our threshold for detailed testing.

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group auditor to component auditors of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's ability to tender for or complete contracts. We identified the following areas as those most likely to have such an effect:

- health and safety, given the front-line nature of many of the Group's operations.
- data protection laws, given the number of employees and the sensitive nature of certain data handled as part of contracts.
- anti-bribery and anti-corruption, given the Governmental nature of many of the Group's customers.
- employment law, given the significant number of employees in the group.
- national security law in the United States, given the importance of the Defence sector to Serco's North America operations.
- certain aspects of company legislation recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report continued

To the members of Serco Group plc

7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement on pages 72 and 73 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on pages 72 and 73 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

Independent Auditor's Report
To the members of Serco Group plc continued

8 We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 123, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

10 The purpose of our audit work and to whom we owe our responsibilities
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Juliette Lowes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London, E14 5GL
26 February 2025

Consolidated Income Statement
For the year ended 31 December 2024

For the year ended 31 December	Note	Underlying 2024 £m	Non-Underlying items 2024 £m	Reported 2024 £m	Underlying 2023 £m	Non-Underlying items 2023 £m	Reported 2023 £m
Revenue	7	**4,787.3**	**–**	**4,787.3**	4,873.8	–	4,873.8
Cost of sales		**(4,268.7)**	**–**	**(4,268.7)**	(4,378.3)	–	(4,378.3)
Gross profit		**518.6**	**–**	**518.6**	495.5	–	495.5
Administrative expenses		**(267.9)**	**–**	**(267.9)**	(275.8)	–	(275.8)
Exceptional Items comprising							
- Operating items	8	**–**	**–**	**–**	–	53.8	53.8
- Goodwill impairment	8	**–**	**(114.5)**	**(114.5)**	–	–	–
Amortisation and impairment of intangibles arising on acquisition (excluding exceptional items)	8	**–**	**(28.9)**	**(28.9)**	–	(30.9)	(30.9)
Share of results of joint ventures and associates, net of interest and tax	5	**22.8**	**–**	**22.8**	29.0	–	29.0
Operating profit/(loss)	9	**273.5**	**(143.4)**	**130.1**	248.7	22.9	271.6
Investment revenue	11	**7.7**	**–**	**7.7**	7.0	–	7.0
Finance costs	12	**(40.8)**	**–**	**(40.8)**	(31.6)	–	(31.6)
Net finance costs		**(33.1)**	**–**	**(33.1)**	(24.6)	–	(24.6)
Profit/(loss) before tax		**240.4**	**(143.4)**	**97.0**	224.1	22.9	247.0
Tax (charge)/credit	13	**(60.4)**	**7.9**	**(52.5)**	(50.8)	6.2	(44.6)
Profit/(loss) for the year		**180.0**	**(135.5)**	**44.5**	173.3	29.1	202.4
Attributable to:							
Equity owners of the Company		**179.7**	**(135.5)**	**44.2**	173.3	29.1	202.4
Non-controlling interest		**0.3**	**–**	**0.3**	–	–	–
Earnings per share (EPS)							
Basic EPS	15	**16.97p**		**4.17p**	15.61p		18.23p
Diluted EPS	15	**16.67p**		**4.10p**	15.36p		17.93p

The accompanying notes on pages 141 to 197 form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Profit for the year		**44.5**	202.4
Other comprehensive income/(loss) for the year:			
Items that will not be reclassified subsequently to profit or loss:			
Share of other comprehensive income in joint ventures and associates	5	**0.7**	1.1
Remeasurements of post-employment benefit obligations[1]	29	**(38.7)**	(29.1)
Actuarial loss on reimbursable rights[1]	29	**–**	(3.0)
Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss	13	**7.7**	6.1
Items that may be reclassified subsequently to profit or loss:			
Net exchange loss on translation of foreign operations		**(18.6)**	(38.4)
Fair value loss on cash flow hedges during the year[2]		**(0.4)**	(0.8)
Tax relating to items that may be reclassified[2]	13	**0.1**	0.2
Total other comprehensive loss for the year		**(49.2)**	(63.9)
Total comprehensive (loss)/income for the year		**(4.7)**	138.5
Attributable to:			
Equity owners of the Company		**(5.0)**	138.4
Non-controlling interest		**0.3**	0.1

1 Recorded in retirement benefit obligations reserve in the Consolidated Statement of Changes in Equity.

2 Recorded in hedging and translation reserve in the Consolidated Statement of Changes in Equity.

The accompanying notes on pages 141 to 197 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2024

	Share capital £m	Share premium account £m	Retained earnings £m	Other Reserves[1] £m	Total shareholders' equity £m	Non-controlling interest £m
At 1 January 2023	24.4	463.1	670.6	(129.9)	1,028.2	1.5
Total comprehensive income/(loss) for the year	–	–	203.4	(65.0)	138.4	0.1
Dividends paid	–	–	(33.7)	–	(33.7)	(1.7)
Shares purchased and held in own share reserve	–	–	–	(22.9)	(22.9)	–
Shares purchased and held in Treasury	–	–	–	(88.8)	(88.8)	–
Cancellation of shares held in Treasury	(2.3)	–	(180.0)	182.3	–	–
Change in non-controlling interests	–	–	(1.2)	–	(1.2)	(0.2)
Expense in relation to share-based payments	–	–	–	13.5	13.5	–
Tax credit on items taken directly to equity	–	–	–	0.5	0.5	–
At 1 January 2024	**22.1**	**463.1**	**659.1**	**(110.3)**	**1,034.0**	**(0.3)**
Total comprehensive income/(loss) for the year	**–**	**–**	**44.9**	**(49.9)**	**(5.0)**	**0.3**
Dividends paid	**–**	**–**	**(38.4)**	**–**	**(38.4)**	**–**
Shares purchased and held in own share reserve	**–**	**–**	**–**	**(22.8)**	**(22.8)**	**–**
Shares purchased and held in Treasury	**–**	**–**	**–**	**(141.3)**	**(141.3)**	**–**
Cancellation of shares held in Treasury	**(1.6)**	**–**	**(141.3)**	**142.9**	**–**	**–**
Shares transferred to award holders on exercise of share awards	**–**	**–**	**–**	**0.1**	**0.1**	**–**
Expense in relation to share-based payments	**–**	**–**	**–**	**15.2**	**15.2**	**–**
Tax credit on items taken directly to equity	**–**	**–**	**–**	**0.7**	**0.7**	**–**
At 31 December 2024	**20.5**	**463.1**	**524.3**	**(165.4)**	**842.5**	**–**

1. An analysis of other reserves is presented as part of note 32 Reserves.

The accompanying notes form on pages 141 to 197 an integral part of the financial statements.

Consolidated Balance Sheet
For the year ended 31 December 2024

	Notes	At 31 December 2024 £m	At 31 December 2023 £m
Non-current assets			
Goodwill	16	**826.2**	906.7
Other intangible assets	17	**101.4**	115.6
Property, plant and equipment	18	**56.8**	44.3
Right of use assets	18	**514.9**	440.9
Interests in joint ventures and associates	5	**25.1**	32.1
Trade and other receivables	20	**26.3**	14.8
Deferred tax assets	14	**229.8**	235.7
Retirement benefit assets	29	**15.2**	37.4
		1,795.7	1,827.5
Current assets			
Inventories	19	**24.1**	24.1
Contract assets	20	**300.0**	296.6
Trade and other receivables	20	**331.5**	329.0
Loan to joint ventures	5	**–**	10.0
Current tax assets		**25.2**	23.8
Cash and cash equivalents	21	**183.0**	94.4
Derivative financial instruments	28	**0.8**	4.9
		864.6	782.8
Total assets		**2,660.3**	2,610.3
Current liabilities			
Contract liabilities	22	**(37.5)**	(35.8)
Trade and other payables	22	**(595.0)**	(558.0)
Derivative financial instruments	28	**(6.6)**	(1.7)
Current tax liabilities		**(35.9)**	(18.4)
Provisions	25	**(108.9)**	(92.9)
Obligations under leases	23	**(168.3)**	(140.0)
Loans	24	**(38.8)**	(51.0)
		(991.0)	(897.8)
Non-current liabilities			
Contract liabilities	22	**(60.7)**	(59.3)
Trade and other payables	22	**(21.5)**	(9.2)
Derivative financial instruments	28	**(0.6)**	(0.2)
Deferred tax liabilities	14	**(52.1)**	(50.9)
Provisions	25	**(81.4)**	(77.4)
Obligations under leases	23	**(361.7)**	(313.7)
Loans	24	**(237.6)**	(155.2)
Retirement benefit obligations	29	**(11.2)**	(12.9)
		(826.8)	(678.8)
Total liabilities		**(1,817.8)**	(1,576.6)
Net assets		**842.5**	1,033.7

Consolidated Balance Sheet continued

	Notes	At 31 December 2024 £m	At 31 December 2023 £m
Equity			
Share capital	30	**20.5**	22.1
Share premium account	31	**463.1**	463.1
Retained earnings		**524.3**	659.1
Other reserves	32	**(165.4)**	(110.3)
Equity attributable to owners of the Company		**842.5**	1,034.0
Non-controlling interest		**–**	(0.3)
Total equity		**842.5**	1,033.7

The accompanying notes form on pages 141 to 197 an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 26 February 2025 and signed on its behalf by:

Mark Irwin
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Consolidated Cash Flow Statement
For the year ended 31 December 2024

	Note	2024 £m	2023 £m
Net cash inflow from underlying operating activities		**419.4**	383.8
Non-underlying items		**–**	9.3
Net cash inflow from operating activities	35	**419.4**	393.1
Investing activities			
Interest received		**5.3**	3.9
Dividends received from joint ventures and associates		**30.8**	21.1
Loan repaid by joint venture		**10.0**	–
Purchase of other intangible assets	17	**(9.1)**	(8.8)
Purchase of property, plant and equipment	18	**(25.3)**	(15.9)
Proceeds from disposal of property, plant and equipment		**1.3**	1.4
Proceeds from disposal of intangible assets		**–**	1.3
Proceeds from disposal of subsidiary		**–**	0.2
Acquisition of subsidiaries, net of cash acquired	6	**(20.8)**	(7.7)
Other investing activities		**0.4**	(0.9)
Net cash outflow from investing activities		**(7.4)**	(5.4)
Financing activities			
Interest paid		**(33.8)**	(30.4)
Capitalised finance costs paid		**(1.0)**	–
Advances of loans	24	**118.2**	–
Repayments of loans	24	**(52.8)**	(44.5)
Capital element of lease repayments	24	**(137.4)**	(124.4)
Cash movements on finance related derivatives	12	**(13.1)**	(1.5)
Dividends paid to shareholders		**(38.4)**	(33.7)
Dividends paid to non-controlling interests		**–**	(1.7)
Purchase of own shares for Employee Share Ownership Trust		**(22.8)**	(22.9)
Own shares repurchased		**(141.3)**	(88.8)
Proceeds received from exercise of share options		**0.1**	–
Net cash outflow from financing activities		**(322.3)**	(347.9)
Net increase in cash and cash equivalents		**89.7**	39.8
Cash and cash equivalents at beginning of year		**94.4**	57.2
Net exchange loss	24	**(1.1)**	(2.6)
Cash and cash equivalents at end of year	21	**183.0**	94.4

The accompanying notes on pages 141 to 197 form an integral part of the financial statements.

Notes to the Consolidated Financial Statements

1. General information

Serco Group plc (the Company) is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY.

These Consolidated Financial Statements comprise the Company, its subsidiaries and its interest in joint ventures and associates (together referred to as the Group) and are presented in pounds Sterling because this is the currency of the primary economic environment in which Serco operates. All amounts have been rounded to the nearest one hundred thousand pounds and foreign operations are included in accordance with the policies set out in note 2.

The nature of the Group's operations are set out in the Strategic Report on pages 1 to 123 and the principal activities are set out in note 4.

A full list of subsidiaries and related undertakings is included in note 53 of the Company financial statements on page 204.

2. Material accounting policies

Basis of preparation

The Consolidated Financial Statements on pages 135 to 197 have been prepared in accordance with UK-adopted International Accounting Standards (IAS), UK-adopted International Financial Reporting Standards (IFRS) and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The financial statements have been prepared on the historical cost basis, except for the following which are measured at fair value:
- certain financial assets and liabilities (including derivative instruments)
- retirement benefit obligations (plan assets and liabilities)
- share-based payments

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The following principal accounting policies adopted have been applied consistently in the current and preceding financial year except as stated in the change in accounting policies on page 143.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company up to 31 December each year. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect the returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest represents the portion of profits or losses and net assets in subsidiaries that are not held by the Group and are presented within equity in the Consolidated Balance Sheet, separate from equity of shareholders of Serco Group plc.

Going concern

In assessing the basis of preparation of the financial statements for the year ended 31 December 2024, the Directors have considered the principles of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2014'; particularly in assessing the applicability of the going concern basis, the review period and disclosures. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

At 31 December 2024, the Group's principal debt facilities comprised a £350m revolving credit facility maturing in November 2027 (of which £nil was drawn), and £279.2m of US private placement notes (USPP notes), giving £629.2m of committed credit facilities and committed headroom of £533.0m, being the undrawn RCF plus cash of £183.0m. The principal financial covenant ratios are consistent across the USPP notes and revolving credit facility, and are outlined on page 211. As at 31 December 2024, the Group's primary restricting covenant, its leverage ratio, is below the covenant of 3.5x and is below the Group's target range of 1x-2x at 0.33x.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions within their control that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved budget which is prepared annually for the next two-year period and is based on a bottom-up approach to all of the Group's existing contracts, potential new contracts and administrative functions.

During the period of assessment, £39.9m of the Group's USPP notes mature. The forecast supporting this statement shows that, on the assumption that these are repaid, there is still sufficient liquidity headroom for the Group to remain a going concern.

Notes to the Consolidated Financial Statements continued

2. Material accounting policies continued

The Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in the Group's win rates for bids and extensions, and reductions in profit margins. Due to the diversity in the Group's operations, the Directors believe that a reverse stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This reverse stress test shows that after assuming no additional refinancing occurs after the date of approval of the financial statements, the Group can afford to be unsuccessful on 80% of its budgeted bids and extensions, combined with a profit margin 80 basis points below the Group's forecast, and still retain sufficient liquidity to meet all liabilities as they fall due for a period of 12 months from approval of these financial statements, and remain compliant with the Group's financial covenants.

In respect of win rates, rebids and extensions have a more significant impact on the Group's revenue than new business wins during the assessment period. The Group has won more than 85% of its rebids and available contract extensions by volume over the last two years, therefore a reduction of budgeted bids and extensions by 80% is not considered plausible. The Group does not generally bid for contracts at margins below its target range.

As detailed in post balance sheet events within note 36 to the financial statements, subsequent to the balance sheet date the Group signed a committed 2-year term loan facility of US$250m (c.£199m) on the announcement to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S), which has been included in the Directors' liquidity forecast supporting this assessment. The facility provides a source of additional liquidity in the near term, becoming available after the completion of the acquisition, and it will mandatorily cancel in the event of equivalent future debt issuance by the Group. The principal financial covenant ratios of this facility are consistent with the USPP loan notes and revolving credit facility.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Adoption of new and revised standards

No new or amended accounting standards had a material impact on the Group for the 31 December 2024 reporting period. The following standards were considered.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

In September 2023, the IASB issued Lease Liability in a Sale and Leaseback (amendments to IFRS 16). This amendment clarifies how entities should account for sale and leaseback transactions after the transaction date. Management has assessed that the change has not had a material impact on the Group.

Non-current Liabilities with Covenants (Amendments to IAS 1)

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). This amendment clarifies how conditions which an entity must comply with, within twelve months after the reporting period, affect the classification of a liability. The amendment also aims to improve information an entity provides related to liabilities subject to Covenants. This amendment requires the Group to disclose additional information in the financial statements which was previously reported in the Strategic Report. See note 24 for the details on loans subject to covenant.

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In May 2023, the IASB issued Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7). The amendment requires specific disclosures about supplier finance arrangements. Management has assessed that the change has not had a material impact on the Group.

New standards, amendments and interpretations not yet adopted

The following published new accounting standards, amendments to accounting standards and interpretations that are not mandatory for 31 December 2024 reporting periods, have not been early adopted by the Group. These are effective for annual reporting periods beginning on or after the date indicated:

	Effective dates[1]
The Effects of Changes in Foreign Exchange Rates for Lack of Exchangeability (amendment to IAS21)[2]	1 January 2025
Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)[2]	1 January 2026
Classification and Measurement of Financial Instrument (Amendments to IFRS 9 and IFRS 7)[2]	1 January 2026
Presentation and Disclosure in Financial Statements (New standard IFRS 18)[3]	1 January 2027
Subsidiaries without Public Accountability: Disclosures (New standard IFRS 19)[2]	1 January 2027

1. The effective date is based on the standards, amendments or interpretation issued by the IASB and may still be subject to adoption by the UK Endorsement Board.
2. The standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods.
3. IFRS 18 introduces new requirements for the presentation and disclosure of information in financial statements, pending UK endorsement. This standard will influence how information is reported, particularly in the income statement, and may also affect the level of detail disclosed in the notes to the financial statements. Whilst IFRS 18 will not alter the recognition or measurement of items in the financial statements and thus will not impact the Group's overall results, it may change what the Group reports as its 'Operating Profit'.

Notes to the Consolidated Financial Statements continued

Changes in accounting policies

There have been no changes to the Group's accounting policies during the year ended 31 December 2024 with the exception of the following policies:

- Contingent liabilities on business combinations (see page 150)
- Share repurchase arrangements (see page 151)

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date, regardless of whether that price is directly observable or is estimated using another valuation technique. There are certain transactions in these Financial Statements which are similar to fair value but are determined by the treatment set out in their respective standards. These are share-based payment transactions that are within the scope of IFRS 2 *Share-Based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, the calculation of net realisable value under IAS 2 *Inventories* and value in use under IAS 36 *Impairment of Assets*.

Revenue

The Group recognises revenue based on the principles set out in IFRS 15 *Revenue from Contracts with Customers.* Revenue is recognised in any period based on the delivery of performance obligations and an assessment of when control is transferred to the customer.

For all contracts, the Group determines whether each arrangement meets the definition of a contract under IFRS 15 and creates enforceable rights and obligations.

Contracts are combined if they are entered into at or near the same time and one or more of the following criteria are met:

- They are negotiated as a package with a single commercial objective.
- Consideration receivable in one contract depends on the other contract.
- Goods or services are a single performance obligation.

For contracts with multiple components, Management applies judgement to consider whether those promised goods and services are:

- a deliverable (i.e. a good or a service) that is distinct; or
- a series of distinct deliverables that are substantially the same and that have the same pattern of transfer to the customer (transferred over time using the same measure of progress).

At contract inception, the transaction price is the total amount of consideration to which the Group expects to be entitled to exchange for transferring goods or services to a customer.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations in proportion to their relative standalone selling prices and recognises revenue when (or as) those performance obligations are satisfied. Where there is only one performance obligation, no allocation is necessary as the full transaction price is allocated to the single performance obligation.

Where there is more than one performance obligation, the Group looks at each performance obligation separately to see if there is an observable price available; however, due to the bespoke nature of the services provided by the Group, there is normally no observable standalone selling price and the expected cost-plus margin approach is used. All bid models for new contracts are built up and negotiated with the customers on a cost-plus margin basis and therefore this approach most accurately reflects the commercial reality and the value of the benefits transferred to the customer.

The Group enters into contracts which contain extension periods where either the customer or both parties can choose to extend the contract or there is an automatic renewal and/or termination clause that could impact the actual duration of the contract. Judgement is applied to assess the impact that these clauses have when determining the appropriate contract term. The term of the contract impacts both the period over which revenue from performance obligations may be recognised and the period over which contract fulfilment assets and capitalised bid and phase-in costs are expensed.

Further details on revenue recognition for specific contract types is shown below.

Revenue recognition: Repeat service-based contracts

The majority of the Group's contracts are repeat service-based contracts where value is transferred to the customer over time as the core services are delivered. Therefore, in most cases revenue will be recognised on the output basis, based on direct measurements of the value to the customer of the services transferred to date relative to the remaining services under the contract. This is a faithful depiction of the transfer of services since the service delivered to the customer is unchanged. Where the output method is used, the Group often uses a method of time elapsed which requires minimal estimation. Certain repeat service-based contracts use output methods based upon user numbers; service activity levels; or fees collected. Where any price reductions within output-based contracts are contractual, but the level of service is not decreasing, revenue will be deferred from initial years to subsequent years in order for revenue to be recognised on a consistent basis.

There are certain contracts where a separate performance obligation has been identified for services where the pattern of delivery differs to the core services and which are capable of being distinct, such as asset construction or asset maintenance. In these instances, where the transfer of control is most closely aligned to our efforts in delivering the service, the input method is used to measure progress and revenue is recognised in direct proportion to costs incurred. In limited circumstances, other methods are used to measure progress under the input method, including resources consumed, time elapsed or labour hours expended. This is a faithful depiction of the transfer of services because costs (or other inputs) most accurately reflect the incremental benefits received by the customer from efforts to date.

Notes to the Consolidated Financial Statements continued

Revenue recognition: Repeat service-based contracts continued
Where deemed appropriate, the Group will utilise the practical expedient within IFRS 15, allowing revenue to be recognised at the amount which the Group has the right to invoice, where that amount corresponds directly with the value to the customer of the Group's performance completed to date.

Under IFRS 15, unless upfront fees received from customers including transition payments can be clearly attributable to a distinct service the customer is obtaining, such payments do not constitute a separate performance obligation and instead are deferred and spread over the life of the core services.

In general, the timing of satisfaction of performance obligations is consistent with when payment becomes due, other than in instances where up front win fees or transition payments are received, where in most instances these are deferred.

Any changes to the enforceable rights and obligations with customers and/or an update to the transaction price will not be recognised as revenue until there is evidence of customer agreement in line with the Group's policies.

Revenue recognition: Variable revenue
The Group has a number of contracts where at least an element of the revenue generated is variable in nature. Variability in revenue recognised can arise from a number of factors, including usage-related volumes, graduated performance against contractual performance indicators, indexation-linked pricing, profit sharing elements and customer decisions related to the provision of goods or services. Any variable amounts will only be recognised where it is highly probable that a significant reversal will not occur.

Revenue recognition: Long-term project-based contracts
The Group has a limited number of project-based long-term contracts. Revenue associated with these contracts is recognised at the point in time when control over the deliverable is passed to the customer.

Revenue recognition: Contract modifications
When a modification to an existing contract is approved, the Group first assesses whether it adds distinct goods or services to the existing contract that are priced commensurate with the standalone selling prices for those goods or services. If this is the case, then the modification is accounted for prospectively as a separate contract. If the pricing is not commensurate with the standalone selling prices for the goods or services and the new goods or services are not distinct from those in the original contract, then this is considered to form part of the original contract. Pricing is updated for the entirety of the revised contract and any historic adjustments recorded as a result are recognised as a cumulative adjustment to revenue in the period of the modification. If the pricing is not commensurate with the standalone selling prices for the goods or services and the new goods or services are distinct from those in the original contract, then this is considered to represent the termination of the original contract and the creation of a new contract which is accounted for prospectively from the date of modification.

Revenue recognition: Other
Sales of goods are recognised when goods are delivered and title has passed.

The Group has a limited number of pass-through arrangements in respect of goods or services procured by the Group on behalf of customers where it assesses whether it is acting as a principal or as an agent. The Group is acting as principal if it is in control of a good or a service prior to transferring to the customer and gross revenue and costs are recognised. More commonly, the Group is acting as agent where it is arranging for those goods or services to be provided to the customer without obtaining control, for example, where the Group is engaged to manage operations for a customer but procures goods or services on behalf of the customer in order to deliver the operation. When acting as an agent, only the fee or commission is recognised as revenue and the costs represent only the direct costs of facilitating the transaction.

The Group has no material exposure to returns or refunds.

Revenue recognition: Contract assets and liabilities
Contract assets are recognised for goods and services for which control has transferred to the customer before the Group has the right to bill and are reported under accrued income and other unbilled receivables in note 20. Contract assets are reclassified as receivables when the right to payment becomes unconditional and the Group has billed the customer.

Contract liabilities are recognised when the Group has received advance payment for goods and services that the Group has not transferred to the customer and are reported under deferred income in note 22.

Where the initial set-up, transition or transformation phase of a long-term contract is not considered to be a distinct performance obligation and upfront consideration is received, the Group recognises contract liabilities reported under deferred income in note 22. In this case eligible costs (see contract costs policy below) associated with delivering these services are reported under capitalised mobilisation and phase in costs in note 20.

Notes to the Consolidated Financial Statements continued

Government grants
The majority of the Group's customers are governments. Any income that arises from a contractual agreement for the delivery of goods or services, or a specific modification to such a contract, is treated as revenue. Income from governments is only considered to be a government grant if it is not related to the supply of goods or services under a contractual arrangement.

Government grants are recognised where there is reasonable assurance that the grant will be received. Grants that compensate the Group for expenses incurred are recognised in the income statement as a reduction to the corresponding expenses on a systematic basis in the periods in which the expenses are recognised. There were no material government grants received during the current or prior year.

Contract costs
Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract. Bid costs are amortised over the duration of the contract to which they relate in equal annual instalments. Any costs which would have been incurred whether or not the contract is actually won are not considered to be capitalised bid costs.

Contract costs are charged to the income statement as incurred, including the necessary accrual for costs which have not yet been invoiced, unless the expense relates to a specific timeframe covering future periods.

Contract costs can only be capitalised when the expenditure meets all of the following three criteria and are not within the scope of another accounting standard, such as inventories, intangible assets, or property, plant and equipment:

- The costs relate directly to a contract. These include direct labour, being the salaries and wages of employees providing the promised services to the customer; direct materials such as supplies used in providing the promised services to a customer; and other costs that are incurred only because an entity entered into the contract, such as payments to subcontractors.
- The costs generate or enhance the resources used in satisfying performance obligations in the future. For initial contract costs capitalised, such costs only fall into one of the following two categories: the mobilisation of contract staff, being the costs of moving existing contract staff to other Group locations; or directly incremental costs incurred in meeting contractual obligations incurred prior to contract delivery, which are required to ensure a proper handover from the previous contractor. Redundancy costs are never capitalised.
- The costs are expected to be recovered, i.e. the contract is expected to be profitable after amortising the capitalised costs.

Operating profit
Operating profit is not a measure defined by IFRS and the Group considers this to include the profits and losses from operations prior to corporation tax, investment revenue and finance costs.

Exceptional items
IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The company uses the term 'exceptional items" to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. These items are separately disclosed and explained within note 8 to the Financial Statements. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure. Further details can be seen in note 8.

Foreign currencies
Transactions in currencies other than Sterling are recorded at the rate of exchange on the date of the transaction using a monthly average. If exchange rates fluctuate significantly during a period, the use of average rates are reviewed to ensure they are still appropriate.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity through the Consolidated Statement of Comprehensive Income (SOCI).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised directly within equity in the Group's hedging and translation reserve. On disposal of an operation, such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Consolidated Financial Statements continued

Dividends

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when they are paid; final dividends when authorised in general meetings by shareholders. Dividend income is recognised on receipt.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred. Where acquisition and transition costs for successful acquisitions are material, they are disclosed as exceptional costs within note 8.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (which is subject to a maximum of one year). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant accounting standards.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair value at the acquisition date, except where a different treatment is mandated by another standard.

Investments in joint ventures and associates

A joint venture is an arrangement whereby the owning parties have joint control and rights over the net assets of the arrangement. The Group's investments in joint ventures are incorporated using the equity method of accounting.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Any excess of the cost of acquisition over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. Goodwill is included within the carrying value amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Determining whether joint control exists requires a level of judgement based upon specific facts and circumstances which exist at the year-end. Details of the unconsolidated joint ventures are provided in note 5.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control. The results and assets and liabilities of associates are also incorporated in these financial statements using the equity method of accounting.

Goodwill

Goodwill is measured as the excess of the fair value of purchase consideration over the fair value of the net assets acquired and is recognised as an intangible asset when control is achieved. Negative goodwill is recognised immediately in the income statement. Fair value measurements are based on provisional estimates and may be subject to amendment within one year of the acquisition, resulting in an adjustment to goodwill.

Goodwill itself does not generate independent cash flows and therefore, in order to perform required tests for impairment, it is allocated at inception to the specific cash generating unit (CGU) or groups of CGUs which are expected to benefit from the acquisition.

On the disposal of a business which includes all or part of a CGU, any attributable goodwill is included in the determination of the profit or loss on disposal.

The fair values associated with material business combinations are valued by external advisers and any amount of consideration which is contingent in nature is evaluated at the end of each reporting period, based on internal forecasts.

Other intangible assets

Material intangible assets are grouped into classes of similar nature and use and separately disclosed. Other intangible assets are amortised from the date of completion.

Customer relationships can arise on the acquisition of subsidiaries and represent the incremental value expected to be gained as a result of existing contracts in the purchased business using our best estimate of forecast cash flows discounted to present value. These assets are amortised over the average length of the related contracts which typically ranges between five and fifteen years.

Software and IT represent computer systems and processes used by the Group in order to generate future economic value through normal business operations. The underlying assets are amortised over the period from which the Group expects to benefit, which is typically between three to eight years.

Development expenditure is capitalised as an intangible asset only if the conditions below are met, with all research costs and other development expenditure being expensed when incurred. The period of expected benefit, and therefore period of amortisation, is typically between three and eight years. The capitalisation criteria are as follows:

- an asset is created that can be separately identified and which the Group intends to use or sell;
- the finalisation of the asset is technically feasible and the Group has adequate resources to complete its development for use or sale;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Notes to the Consolidated Financial Statements continued

Property, plant and equipment

Assets held for use in the rendering of services, or for administrative purposes, are stated in the balance sheet at cost, net of accumulated depreciation and any provision for impairment. Assets are grouped into classes of a similar nature and use and separately disclosed except where this is not material.

Depreciation is provided on a straight-line basis at rates designed to reduce the assets to their residual value over their estimated useful lives.

The principal annual rates used are:	
Freehold buildings	2.5%
Leasehold improvements	The higher of 10% or the rate produced by the lease term
Machinery	15% – 20%
Vehicles	10% – 50%
Furniture	10%
Office equipment	20% – 33%
Right of use assets	Equally over the lease term from inception or equally over the remainder of the lease term from the date of a reassessment of the lease end date

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Given that there is limited history of material gains or losses on disposal of fixed assets, the level of judgement involved in determining the depreciation rates is not considered to be significant.

For acquisitions property, plant and equipment are measured at fair value and the right of use assets are measured as the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date.

Asset impairment

The Group reviews the carrying amounts of its tangible and intangible assets (including goodwill) at each reporting period, together with any other assets under the scope of IAS 36 Impairment of Assets, in order to assess whether there is any indication that those assets have suffered an impairment loss. As the impairment of assets has been identified as both a key source of estimation uncertainty and a critical accounting judgement, further details around the specific judgements and estimates can be seen in note 3.

If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine if there is any impairment loss. Goodwill is assessed for impairment annually, irrespective of whether there are any indicators of impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

Recoverable amount is defined as the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value with reference to pre-tax discount rates that reflect the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less cost to sell is the amount that a market participant would pay for the asset or CGU, less the costs of sale. The fair value less cost to sell is determined using the discounted cash flows method, where there is no readily available market price for the asset, or where there are no recent market transactions for the fair value to be determined through a comparison between the asset or CGU being tested for impairment, and a recent market transaction.

If the recoverable amount is estimated to be less than the carrying amount of the asset, the carrying amount is impaired to its recoverable amount. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss which led to the impairment has decreased or no longer exists.

Where an impairment loss is subsequently reversed, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years.

Impairment losses and reversals are recognised immediately within expenses in the income statement unless it is considered to be an exceptional item when the Group's criteria are met.

Notes to the Consolidated Financial Statements continued

Retirement benefit costs

Payments to defined contribution pension schemes are charged as an expense as they fall due.

For defined benefit pension schemes, the cost of providing benefits is determined using the projected unit credit actuarial cost method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and are presented in the statement of comprehensive income.

Both current and past service costs are the amounts recognised in the income statement, reflecting the expense associated with the individuals. Current service cost represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. Past service cost is recognised immediately. Gains and losses on curtailments or settlements are recognised in the income statement in the period in which the curtailment or settlement occurs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds (which is only recognised to the extent that the Group has an unconditional right to receive it) and reductions in future contributions to the scheme. To the extent that an economic benefit is available as a reduction in future contributions and there is a minimum funding requirement required of the Group, the economic benefit available as a reduction in contributions is calculated as the present value of the estimated future service cost in each year, less the estimated minimum funding contributions required in respect of the future accrual and benefits in that year.

Calculation of the amounts recognised in the Consolidated Financial Statements in respect of defined benefit pension schemes requires a high level of judgement, as further explained in note 3.

End of contract provisions

Where the Group has a legal or constructive obligation to compensate employees at the end of a contract term and these employees cannot be relocated within the Group, a provision is recognised to reflect the expected outflow of economic benefits at the end of the contract. The obligation is reassessed at each reporting date. The amount calculated assumes the tenure of the employee base, expected turnover, and salary.

Derivative financial instruments and hedging activities

The Group may enter into a variety of derivative financial instruments to manage the exposure to interest rate, foreign exchange risk and price risk, including currency swaps, foreign exchange forward contracts, interest rate swaps and commodity future contracts. Further details of derivative financial instruments are given in note 28.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges), hedges of highly probable forecast transactions or hedges of firm commitments (cash flow hedges).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Both at the inception of the hedge and on a periodic basis, the Group assesses whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Derivatives, which mature within 12 months, are presented as current assets or current liabilities.

Details of the fair values of the derivative instruments used for hedging purposes and movements in the hedging and translation reserve in equity are detailed in the Statement of Comprehensive Income and described in note 28.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group de-designates the hedging relationship, the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements continued

Tax

The tax expense represents the sum of current tax expense and deferred tax expense.

Current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for accounting purposes.

Deferred tax assets are generally recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which these items can be utilised.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates, and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based upon tax rates and legislation that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is recognised in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority where the Group intends to settle its current tax assets and liabilities on a net basis.

For acquisitions, deferred tax assets and liabilities are measured based on the provisional fair values at the acquisition date.

Share-based payment

Where the fair value of share options or shares under award requires the use of a valuation model, fair value is measured by use of Black-Scholes or Monte Carlo Simulation models depending on the type of scheme, as set out in note 33. For performance-based awards with non-market-based performance conditions or non-performance related awards which accrue dividend equivalents through the vesting period, the fair value is equal to the share price on the date of grant as no adjustment to the market price is required. The expected life used in the models has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where relevant, the value of the option or award has also been adjusted to take account of market conditions applicable to the option or award. Awards are equity settled with straight-line vesting.

Inventories

Inventories are stated at the lower of cost and net realisable value and comprise service spares, supplies and consumables used in the rendering of services to our customers. Cost comprises direct materials and, where applicable, direct labour costs that have been incurred in bringing the inventories to their present location and condition.

Trade receivables

Trade receivables are recognised initially at cost (being the same as fair value) and subsequently at amortised cost less any credit notes, provision for impairment and expected credit losses, to ensure that amounts recognised represent the recoverable amount.

Determining whether a trade receivable is impaired requires judgement to be applied based on the information available at each reporting date. A provision for impairment arises where there is evidence that the Group will not be able to collect amounts due for reasons other than customer default, which is achieved by creating an allowance for doubtful debts recognised in the income statement within expenses. When a trade receivable is expected to be uncollectible for reasons other than credit-related losses, it is provided for within the allowance. Subsequent recoveries of amounts previously provided for or written off are credited against expenses.

The majority of contracts entered into by the Group are with government organisations and therefore historic levels of default are relatively low and as a result, the risks associated with this judgement are not considered to be significant. An expected credit loss is recorded where there is evidence that a counterparty is at risk of default due to their credit worthiness. If the loss was material, the amount would be presented separately in the Consolidated Income Statement, however, the Group's customer base is predominantly government or government-backed and as a result, the Group's expected credit loss at a given point in time across the entirety of the customer base is typically immaterial.

For acquisitions, the best estimate at acquisition date of trade and other receivables are the gross contractual amounts as there are no cash flows that are not expected to be collected.

Notes to the Consolidated Financial Statements continued

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and balances with banks and similar institutions which are readily convertible to known amounts of cash, subject to insignificant changes in value and have a maturity of three months or less from the date of acquisition. This definition is also used for the Consolidated Cash Flow Statement.

Leases
The Group uses leases in the delivery of a number of contracts and in other centralised functions. Most notably, the Group uses accommodation leases in the delivery of the Asylum Accommodation and Support Services contract, vehicle leases in the Prisoner Escort and Custody Services contract and to deliver its UK vehicle fleet and support offices, amongst others. Where leases are utilised in the delivery of contracts, the Group aims to limit the duration of any non-cancellable periods of leases to be no longer than the duration of the underlying contract. For non-contract related leases, the Group has set policies on lease duration and purpose to ensure their appropriate use.

On entering into a lease, a lease liability is recorded equal to the value of future lease payments discounted at the appropriate incremental borrowing rate and, simultaneously, a right of use asset is created representing the right conferred to control the manner of use of the leased asset. The Group typically uses an appropriate incremental borrowing rate, based on the lease location and duration, as it typically does not have access to the interest rate implicit in the lease.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement and corresponding assets are depreciated on a straight-line basis over the lease term.

The lease term is measured as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if it is reasonably certain that the option will be exercised, and periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised. The lease term is reassessed if an event occurs which causes either the non-cancellable period to change, or another event occurs which changes the assessment of the likelihood of exercising an option included in the lease.

All changes to leases are accounted for on a prospective basis from the point at which the change is triggered.

Where, on inception, the term of a lease is less than 12 months or the value of the leased asset is less than £5,000, or both, rentals payable under the lease are charged to the income statement on a straight-line basis over the term of the relevant lease.

For acquisitions, leases are measured as the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date.

Loans
Loans are stated at amortised cost using the effective interest rate method. Accrued interest is recorded separately from the associated borrowings within current liabilities.

Loans are described as non-recourse loans and classified as such only if no Group company other than the relevant borrower has an obligation, under a guarantee or other arrangement, to repay the debt.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has an obligation to make a cash outflow as a result of a past event. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date when settlement is considered to be likely.

Onerous contract provisions (OCPs) arise when the unavoidable costs of meeting contractual obligations exceed the remuneration expected to be received. Unavoidable costs include total contract costs together with a rational allocation of shared costs that can be directly linked to fulfilling contractual obligations, which have been systematically allocated to OCPs on the basis of key cost drivers except when this is impracticable, where contract revenue is used as a proxy to activity. The provision is calculated as the lower of the termination costs payable for an early exit and the best estimate of net cost to fulfil the Group's unavoidable contract obligations. Where a customer has an option to extend a contract and it is likely that such an extension will be made, the expected net cost arising during the extension period is included within the calculation. However, where a profit can be reasonably expected in the extension period, no credit is taken on the basis that such profits are uncertain given the potential for the customer to either not extend or offer an extension under lower pricing terms. Further details of the judgements can be seen in note 3.

Contingent liabilities on business combinations
Any present obligation that exists when a business is acquired is recognised as a liability within provisions measured at its fair value, even if the outflow of economic benefits is not probable.

After initial recognition and until the liability is settled, cancelled, or expires, the liability continues to be measured at the amount initially recognised in the business combination unless the liability becomes probable. Once probable it is then measured at the higher of the amount initially recognised or the amount that would be recognised based on the accounting policy for provisions above.

Notes to the Consolidated Financial Statements continued

Net investments in foreign operations
Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are initially recognised in equity and accumulated in the hedging and translation reserve and reclassified from equity to profit or loss on disposal of the net investment. When monetary items no longer form part of a hedging relationship, the exchange differences that arose during the time that the hedge was in place remain in the hedging translation reserve until such time as the net investment is disposed of.

Dividends payable
Dividends are recorded in the Group's Consolidated Financial Statements in the period in which they are declared, appropriately authorised and no longer at the discretion of the Company.

Share repurchase arrangements
Any shares repurchased (excluding shares repurchased by employee share ownership trusts) are recognised when legal ownership is transferred to the Group. These are measured at cost and are included in the treasury share reserve until used or cancelled.

Any shares that the Group is contractually committed to purchase after the balance sheet date are recognised at the expected cost and included in the treasury share reserve.

When treasury shares are cancelled the cost is transferred from the treasury share reserve into retained earnings.

Shares purchased by employee share ownership trusts are recognised when legal ownership is transferred to the trust. These are measured at cost and are included in the own share reserve until transferred to the share based payment reserve on exercise of share awards.

Segmental information
Segmental information is based on internal reports about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to allocate resources to the segments and to assess their performance. The CODM is considered to be the Board of Directors as a body.

Segmental revenue is analysed on an external basis. Inter-segment revenue is not presented as it is not significant in the context of revenue as a whole. Net finance costs are not presented for each operating segment as they are reviewed on a consolidated basis by the CODM.

Specific corporate expenses are allocated to the corresponding segments. Segment assets comprise goodwill, other intangible assets, property, plant and equipment including right of use assets, inventories, trade and other receivables (excluding corporation tax recoverable) and any retirement benefit assets. Segment liabilities comprise trade and other payables, lease liabilities, provisions and retirement benefit obligations.

3. Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the Group's accounting policies, which are described in note 2, Management has made the following judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Key sources of estimation uncertainty
Provisions for onerous contracts
Determining the carrying value of onerous contract provisions requires assumptions and complex judgements to be made about the future performance of the Group's contracts. The level of uncertainty in the estimates made, either in determining whether a provision is required, or in the calculation of a provision booked, is linked to the complexity of the underlying contract and the form of service delivery. Due to the level of uncertainty and a combination of variables associated with those estimates, there is a significant risk that there could be a material adjustment to the carrying amounts of onerous contract provisions within the next financial reporting period. This includes the potential recognition of onerous contract provisions for contracts which Management has assessed do not require a provision as at 31 December 2024.

Major sources of uncertainty which could result in a material adjustment within the next financial year are:

- the ability of the Group to maintain or improve operational performance to ensure costs or performance-related penalties are in line with expected levels;
- volume driven revenue and costs being within the expected ranges;
- the outcome of open claims made by or against a customer regarding contractual performance or contractual negotiations taking place where there is expected to be a positive outcome from the Group's perspective; and
- the ability of suppliers to deliver their contractual obligations on time and on budget.

In the current year, there has been an overall net charge of new and existing onerous contract provisions (OCPs) within UOP of £5.7m (2023: £8.2m). Revisions have resulted from triggering events in the current year, either through changes in contractual positions or changes in circumstances which could not have been reasonably foreseen at the previous balance sheet date. To mitigate the level of uncertainty in making these estimates, Management regularly compares actual performance of the contracts against previous forecasts and considers whether there have been any changes to significant judgements.

The future range of possible outcomes in respect of those assumptions and significant judgements made to determine the carrying value of onerous contracts could result in either a material increase or decrease in the value of onerous contract provisions in the next financial year. The extent to which actual results differ from estimates made at the reporting date depends on the combined outcome and timing of a large number of variables associated with performance across multiple contracts.

Notes to the Consolidated Financial Statements continued

Provisions for onerous contracts continued

The individual provisions are discounted where the impact is assessed to be significant. When used, discount rates are calculated based on the estimated risk-free rate of interest for the region in which the provision is located and matched against the ageing profile of the provision.

The Group undertakes a robust assessment at each reporting date to determine whether any individual customer contracts, which the Group has entered into, are onerous and require a provision to be recognised in accordance with IAS 37 Provisions, Contingent Liabilities & Contingent Assets. The Group operates a large number of long-term contracts at different phases of their contract life cycle. Within the Group's portfolio, there are a small number of contracts where the balance of risks and opportunities indicates that they might be onerous if transformation initiatives or contract changes are not successful. The Group has concluded that these contracts do not require an onerous contract provision on an individual basis. Following the individual contract reviews, the Group has also undertaken a top-down assessment which assumes that, while the contracts may not be onerous on an individual basis, as a portfolio there is a risk that at least some of the transformation programmes or customer negotiations required to avoid a contract loss will not be fully successful, and it is more likely than not that one or more of these contracts will be onerous. Therefore, in considering the Group's overall onerous contract provision, the Group has made a best estimate of the provision required to take into consideration this portfolio risk. As a result, the risk of OCPs and the monitoring of individual contracts for indicators remains a critical estimate for the Group. As at 31 December 2024, the provision recognised in respect of this portfolio of contracts is £6.6m (2023: £8.1m).

Onerous contract provisions totalling £13.2m (2023: £8.6m) are estimated for individual contracts, based on the specific characteristics of the contract including possible contract variations, estimates of transaction price such as variable revenues and forecast costs to fulfil those contracts. As noted above, the Group also holds a balance of £6.6m in respect of the portfolio risk associated with operating a large number of long-term contracts, giving a total onerous contract provision of £19.8m (see note 25; 2023: £16.7m) . Management has considered the nature of the estimate for onerous contract provisions and concluded that it is reasonably possible that outcomes within the next financial year may be different from Management's assumptions and could, in aggregate, require a material adjustment to the onerous contract provision. However, due to the estimation uncertainty across numerous contracts each with different characteristics, it is not practical to provide a quantitative analysis of the aggregated judgements that are applied, and Management does not believe that disclosing a potential range of outcomes on a consolidated basis would provide meaningful information to a reader of the financial statements.

While the focus of the estimate is to determine whether the Group is required to record an onerous contract provision, Management also inherently assess whether any assets dedicated to the contract are required to be impaired where contracts are forecast to make sustainable losses in the future. In accordance with IAS 37, the Group will impair assets dedicated to the contract before the recognition of an onerous contract provision.

Impairment of goodwill

A key area of judgement is the impairment testing of goodwill. At each reporting period an assessment is performed in order to determine whether there are any indicators of impairment, which involves considering the performance of the business and any significant changes to the markets in which the Group operates. There continues to be headroom across all cash generating units (CGUs) even when reasonably possible sensitivities are applied, except for Asia Pacific as detailed in note 16.

Determining whether goodwill requires an actual impairment involves an estimation of the expected value in use or fair value less cost of disposal of the asset (or CGU to which the asset relates), whichever results in a higher value. The Group's CGUs are consistent with its reportable operating segments as outlined in note 4. The value in use calculation, the method which returns the higher value for all CGU's (see note 16), involves an estimation of future cash flows and also the selection of appropriate discount rates and terminal growth rates, all of which involve considerable judgement. The future cash flows are derived from the latest Board-approved five-year plan, with the key assumptions being revenue growth, which is sensitive to known and unknown pipeline opportunities, and is common within the industry, win rates for rebids and new business, margins on existing and new business, and cash conversion rates, all of which drive short-term growth rates. The Board-approved five-year plan has an element of contingency to take into consideration potential risks within these assumptions.

Discount rates and terminal growth rates are calculated with reference to the specific risks associated with the assets, based on advice provided by external experts engaged by the Directors. The calculation of discount rates is performed using a risk-free rate appropriate to the currency of the cash flows related to the CGU being tested. This rate is then adjusted to factor in local market risks and risks specific to the Group, with cash flow risks considered within the cash flows themselves rather than the discount rate. For the purpose of impairment testing in accordance with IAS36 Impairment of Assets, the Group estimates pre-tax discount rates based on the post-tax weighted average cost of capital, which is used for internal purposes.

There is heightened judgement in determining the future cash flows of the Asia Pacific CGU, as the Division has performed below expectations due to lower variable income on material contracts, a challenging labour market, and lower-than-expected win rates for new business. Additionally, on 8 November 2024, the Group was notified that it had lost the rebid of the immigration contract which has had a significant impact on the cash flows within the five-year plan for the CGU; as at 31 December 2023, the Directors had estimated retaining the contract on a weighted basis due to the Group's performance in meeting the service requirements under the contract and historically high retention rate within the region. Based on the modelling performed, the Directors have concluded that the goodwill attributable to the Asia Pacific CGU is no longer supportable (2023: Headroom £110.0m) and have recognised an impairment in the current year of £114.5m (see note 16).

Impairment losses are recognised immediately within expenses in the income statement unless, in Management's judgement, the loss is considered to be an exceptional item being outside of the normal operations of the business and material to the results of the Group by virtue of its size or nature and hence the Group's criteria for such items are met.

Notes to the Consolidated Financial Statements continued

Impairment of goodwill continued
There is significant judgement required in estimating the recoverable amount of the CGU which includes expectations of future revenue growth, operating costs, profit margins, operating cash flows and the discount rate for the CGU. The estimates used generate a range of outcomes which could result in the full impairment of the remaining goodwill, or no impairment being recognised with headroom of £100.1m (see note 16 for further details). The key estimates which have the most significant impact on determining the recoverable amount of the CGU are:

- Win rates applied for new business and rebids based on the known pipeline of opportunities within the region.
- The outcome of the Base Services Transformation Programme contract, which forms a significant part of the CGU's pipeline, the outcome of which is expected in the first half of 2025.

Retirement benefit obligations
Identifying whether the Group has a retirement benefit obligation as a result of contractual arrangements entered into requires a level of judgement, largely driven by the legal position held between the Group, the customer and the relevant pension scheme. The Group's retirement benefit obligations are covered in note 29.

The calculation of retirement benefit obligations is dependent on material key assumptions including discount rates, mortality rates, inflation rates and future contribution rates.

In accounting for the defined benefit schemes, the Group has applied the principle that the asset recognised for the Serco Pension and Life Assurance Scheme (SPLAS) and the shared cost section of the Railways Pension Scheme is equal to the full surplus that will ultimately be available to the Group as a future refund.

No pension assets are invested in the Group's own financial instruments or property.

Pension assets held by insurance companies including the annuity policies in SPLAS are valued at the equal and opposite of the defined benefit obligations that they insure.

The SPLAS pension scheme invests into private debt funds which do not have an observable market price and are remeasured to fair value at each reporting date. The valuation methodology relies upon the net asset value provided by the fund administrator at 30 September adjusted for actual cash flows in the period to 31 December. The Group has undertaken a risk assessment to assess whether this industry standard valuation methodology remains the Group's best estimate at 31 December and has concluded that although there is heightened estimation uncertainty, this methodology provides the most accurate valuation and estimate for Management.

Critical accounting judgements
Deferred tax
Deferred tax assets are recognised on tax deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilised. Significant Management judgement is required to determine the amount of the deferred tax asset that should be recognised, based upon the likely timing, geography and level of future taxable profits.

A £177.5m, UK deferred tax asset is recognised on the Group's balance sheet at 31 December 2024 (2023: £179.9m). This is recognised on the basis of a sustained return to profitability of the UK business which will enable future tax deductions and previous tax losses within the UK to be utilised.

An Australian deferred tax asset continues to be recognised in full, on the basis that this business is expected to have future profits against which these future tax deductions will be used. This asset is valued at £50.5m on the Group's balance sheet at 31 December 2024 (2023: £52.5m).

Further details on deferred taxes are disclosed in note 14.

Notes to the Consolidated Financial Statements continued

Use of Alternative Performance Measures: Underlying Operating Profit

The Group uses Underlying Operating Profit (UOP) as an alternative measure to reported operating profit by making adjustments for the following:

IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The company uses the term 'exceptional items" to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. These items are separately disclosed and explained within note 8 to the Financial Statements. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure. Further details can be seen in note 8.

Amortisation and impairment of intangibles arising on acquisitions: These are excluded, because these charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice.

The consolidated income statement on page 135 and the segmental analysis in note 4 includes a reconciliation of reported operating profit to UOP.

Climate risk

Risks arising from climate change may have future adverse effects on the Group's business activities. These risks include:

- major physical risks such as extreme weather events, impacting assets, operations and employee wellbeing;
- major transitional risks including policy and legal changes such as increasing reporting and contractual requirements and increasing carbon taxes and levies;
- technology risks including costs to transition to lower emission options; and
- reputational risks such as investor and stakeholder concerns on not transitioning quickly enough to Net Zero.

As an outsourcing organisation operating across multiple sectors and geographies, the ways in which climate change may impact the Group's and its customers' assets (where the Group delivers the majority of its services), supply chains and operations is diverse.

In preparing the Group financial statements, Management has considered the impact of climate-related matters but has not identified significant risks induced by climate changes that could negatively and materially affect the Group's financial statements. In arriving at this conclusion, Management has considered the areas of the Group's financial statements where climate-related matters could reasonably impact measurement and disclosure including key estimates and judgements.

When undertaking the Goodwill impairment review, the Group's latest approved forecast is used to estimate the value in use of its CGUs. Climate assumptions are built into the contract level budgets to the extent that contractual commitments exist. However, Management's current assessment shows that there are no such material contractual obligations. In addition, Group-wide strategic commitments, such as those made as part of the Net Zero targets and planning, are not material in the short term for inclusion in the Group's forecast. The forecast is underpinned by a number of assumptions, and it represents the Group's best estimate of future business performance. Management cannot reliably predict how climate changes will impact the forecast particularly in areas such as carbon levies and the cost of insurance. As such, Management has presented sensitivity analysis to demonstrate the Group's ability to withstand changes to the forecast before recording an impairment (see note 16). The forecast used in the goodwill impairment review is also used in the assessment of deferred tax assets and the Group's ability to continue as a going concern.

The Group also continuously reviews the property, plant and equipment under its control to identify opportunities to reduce its carbon impact. Primarily there has been a transition to electric and hybrid vehicles, both in the company car fleet as well as vehicles required to operate contracts. For example, electric light commercial vehicles are beginning to replace the diesel fleet in certain geographies. The transition is currently being undertaken where assets are identified as nearing the end of their useful economic life (UEL) and therefore there has been no revision to the UEL related to motor vehicles.

Other areas considered include retirement benefit obligations, namely the valuation of assets, share-based payments linked to ESG targets and those critical accounting judgements and sources of estimation uncertainty not noted above.

Management continuously assesses the impact of climate-related matters. Assumptions will likely change in the future in response to the Group's understanding of risks and opportunities maturing, forthcoming environmental regulations, climate change impacts, new commitments taken and increasing customer Net Zero requirements. These changes, if not anticipated and continually assessed, could have an impact on the Group's future cash flows, financial performance and financial position.

4. Segmental information

Segmental revenue is analysed on an external basis. Inter-segment revenue is not presented as it is not significant in the context of revenue as a whole. Net finance costs are not presented for each reportable operating segment as they are reviewed on a consolidated basis by the CODM.

Specific corporate expenses are allocated to the corresponding segments. Segment assets comprise goodwill, other intangible assets, property, plant and equipment including right of use assets, inventories, trade and other receivables (excluding corporation tax recoverable) and any retirement benefit asset. Segment liabilities comprise trade and other payables, lease liabilities, provisions and retirement benefit obligations.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in note 2.

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

The Group's operating segments reflecting the information reported to the Board in 2024 under IFRS 8 Operating Segments are as set out below:

Reportable operating segments	Sectors
UK & Europe	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management, Justice & Immigration and Transport delivered to UK Government, UK devolved authorities and other public sector customers in the UK & Europe
North America	Services for sectors including Citizen Services, Defence and Transport delivered to US federal and civilian agencies, selected state and municipal governments and the Canadian Government
Asia Pacific	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management, Justice & Immigration and Transport in the Asia Pacific region including Australia, New Zealand and Hong Kong
Middle East	Services for sectors including Citizen Services, Defence, Health & Other Facilities Management and Transport in the Middle East region
Corporate	Central and head office costs

Each reportable operating segment is focused on a narrow group of customers in a specific geographic region and is run by a local Management team which reports directly to the Group's Chief Operating Decision Maker (CODM) on a regular basis. As a result of this focus, the sectors in each region have similar economic characteristics and are aggregated at the reportable operating segment level in these financial statements.

Information about major customers

The Group has three major governmental customers which each represent more than 5% of Group revenues in the current year. The customers' revenues were £1,709.0m (2023: £1,863.8m) for the UK Government within the UK & Europe segment; £1,129.6m (2023: £1,167.7m) for the US Government within the North America segment; and £709.4m (2023: £782.8m) for the Australian Government within the Asia Pacific segment. These customers do not act in a unified way in making purchase decisions, and in general, the Group engages directly with the various departments of these customers in respect of the services it provides.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable operating segment:

Year ended 31 December 2024	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Revenue	**2,445.9**	**1,326.1**	**799.4**	**215.9**	**–**	**4,787.3**
Result						
Underlying operating profit/(loss)	**147.9**	**136.1**	**24.6**	**16.0**	**(51.1)**	**273.5**
Amortisation and impairment of intangibles arising on acquisition (excluding exceptional items)	(13.4)	(15.5)	–	–	–	(28.9)
Exceptional Items comprising						
- Operating items	–	–	–	–	–	–
- Goodwill impairment	–	–	(114.5)	–	–	(114.5)
Operating profit/(loss)	**134.5**	**120.6**	**(89.9)**	**16.0**	**(51.1)**	**130.1**
Net finance cost						(33.1)
Profit before tax						**97.0**
Tax charge						(52.5)
Profit for the year						**44.5**
Supplementary Information						
Share of profits in joint ventures and associates, net of interest and tax	22.8	–	–	–	–	22.8
Total depreciation and impairment of plant, property and equipment and right of use assets	(129.4)	(19.3)	(8.8)	(1.7)	0.7	(158.5)
Amortisation and impairment of intangible assets	(5.7)	(1.1)	(1.4)	(0.2)	–	(8.4)

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

Year ended 31 December 2023	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Revenue	2,439.5	1,362.8	845.1	226.4	–	4,873.8
Result						
Underlying operating profit/(loss)	120.8	138.2	23.7	15.3	(49.3)	248.7
Amortisation and impairment of intangibles arising on acquisition (excluding exceptional items)	(3.4)	(16.0)	(11.5)	–	–	(30.9)
Exceptional Items comprising						
- Operating items	9.9	–	–	–	43.9	53.8
- Goodwill impairment	–	–	–	–	–	–
Operating profit/(loss)	127.3	122.2	12.2	15.3	(5.4)	271.6
Net finance cost						(24.6)
Profit before tax						247.0
Tax charge						(42.3)
Tax on exceptional items						(2.3)
Profit for the year						202.4
Supplementary Information						
Share of profits in joint ventures and associates, net of interest and tax	29.0	–	–	–	–	29.0
Total depreciation and impairment of plant, property and equipment and right of use assets	(99.4)	(20.6)	(10.0)	(2.1)	(11.9)	(144.0)
Amortisation and impairment of intangible assets	(1.9)	(0.9)	(1.1)	(0.1)	(3.6)	(7.6)

As at 31 December 2024	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Segment assets						
Interests in joint ventures and associates	27.7	–	–	0.4	–	28.1
Other segment assets[1]	1,052.2	886.7	136.1	68.6	52.7	2,196.3
Total segment assets[4]	1,079.9	886.7	136.1	69.0	52.7	2,224.4
Unallocated assets[2]						438.9
Consolidated total assets						2,663.3
Segment liabilities						
Segment liabilities[4]	(921.9)	(169.6)	(213.6)	(61.6)	(79.4)	(1,446.1)
Unallocated liabilities[2]						(371.7)
Consolidated total liabilities						(1,817.8)
Supplementary Information						
Additions to non-current assets[3]	280.6	22.5	9.3	11.4	0.2	324.0
Segment non-current assets	826.8	686.5	32.4	22.8	–	1,568.5
Unallocated non-current assets						230.2

1. The Corporate segment assets and liabilities include balance sheet items which provide benefit to the wider Group, including defined benefit pension schemes.
2. Unallocated assets and liabilities include deferred tax, cash and cash equivalents, derivative financial instruments and loans.
3. Additions to non-current assets reflects additions and amounts arising on acquisition for goodwill, other intangible assets, property plant and equipment and right of use assets.
4. In 2024, central managed assets and liabilities were moved from corporate to UK&E to reflect an internal restructure of overhead functions predominately used by UK&E.

Notes to the Consolidated Financial Statements continued

4. Segmental information continued

As at 31 December 2023	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Corporate £m	Total £m
Segment assets						
Interests in joint ventures and associates	31.8	–	–	0.3	–	32.1
Other segment assets[1]	891.6	897.7	254.5	62.4	113.2	2,219.4
Total segment assets	923.4	897.7	254.5	62.7	113.2	2,251.5
Unallocated assets[2]						358.8
Consolidated total assets						2,610.3
Segment liabilities						
Segment liabilities	(725.1)	(172.0)	(223.5)	(54.1)	(124.7)	(1,299.4)
Unallocated liabilities[2]						(277.2)
Consolidated total liabilities						(1,576.6)
Supplementary Information						
Additions to non-current assets[3]	125.3	16.7	8.0	2.6	15.7	168.3
Segment non-current assets	677.1	688.6	151.9	13.5	60.8	1,591.9
Unallocated non-current assets						235.8

1 The Corporate segment assets and liabilities include balance sheet items which provide benefit to the wider Group, including defined benefit pension schemes and corporate intangible assets.

2 Unallocated assets and liabilities include deferred tax, cash and cash equivalents, derivative financial instruments and loans.

3 Additions to non-current assets reflects additions and amounts arising on acquisition for goodwill, other intangible assets, property plant and equipment and right of use assets.

5. Joint ventures and associates

During the year, the most significant joint ventures and associates in terms of scale of operations were Merseyrail Services Holding Company Limited (Merseyrail) and VIVO Defence Services Limited (VIVO). Both are incorporated and operated in the UK.

Merseyrail generated revenue of £215.0m (2023: £217.0m), with the Group's share of profits net of interest and tax for the year being £10.9m (2023: £15.9m). The reduction in Merseyrail revenue and profits is primarily due to a one-off commercial settlement received in 2023. The Group received dividends of £14.1m (2023: £21.1m).

VIVO revenue for the year was £917.8m (2023: £844.9m) with the Group's share of profits net of interest and tax for the year being £11.9m (2023: £13.1m). The increase in VIVO's revenue is largely due to volumes and the impact of indexation. The decrease in profit is due to lower margins on billable work and the mix of margins within different contracts. The Group received dividends of £16.7m (2023: £nil).

Summarised financial information of Merseyrail and VIVO, and an aggregation of the other equity accounted entities in which the Group has an interest in is as follows:

Notes to the Consolidated Financial Statements continued

31 December 2024

Summarised financial information	Merseyrail (100% of results) £m	VIVO (100% of results) £m	Group portion of material joint ventures and associates[1] £m	Group portion of other joint ventures and associates[1] £m	Total £m
Revenue	215.0	917.8	502.6	1.9	504.5
Operating profit	29.6	47.0	30.6	–	30.6
Net (finance costs)/investment revenue	(0.9)	0.5	(0.1)	–	(0.1)
Tax charge	(6.9)	(11.8)	(7.7)	–	(7.7)
Profit from operations	21.8	35.7	22.8	–	22.8
Other comprehensive income	1.4	–	0.7	–	0.7
Total comprehensive income	23.2	35.7	23.5	–	23.5
Non-current assets	53.9	13.0	33.4	–	33.4
Current assets	80.6	212.9	131.8	1.1	132.9
Current liabilities	(79.0)	(173.8)	(115.2)	(0.6)	(115.8)
Non-current liabilities	(36.2)	(16.4)	(25.4)	–	(25.4)
Net Assets	19.3	35.7	24.6	0.5	25.1
Portion of Group ownership	50%	50%			
Carrying amount of investment[1]	9.7	14.9	24.6	0.5	25.1

1. For Merseyrail and other joint ventures and associates, these are the total results of the entity multiplied by the proportion of Group ownership. For VIVO, although the equity ownership is 50%, the share of profits from contracts operated by VIVO is either 25% or 50%. Therefore the Group portion of material joint ventures will not represent exactly 50% of their income and net assets.

	Merseyrail (100% of results) £m	VIVO (100% of results) £m	Group portion of material joint ventures and associates[1] £m	Group portion of other joint ventures and associates[1] £m	Total £m
Cash and cash equivalents	52.4	46.9	43.4	0.4	43.8
Current financial liabilities excluding trade and other payables and provisions	(25.4)	(14.3)	(20.1)	(0.3)	(20.4)
Non-current financial liabilities excluding intercompany loans, trade and other payables and provisions	(36.0)	(16.3)	(25.3)	–	(25.3)
Depreciation and amortisation	(12.1)	(4.8)	(6.1)	–	(6.1)
Interest income	2.3	1.6	1.9	–	1.9
Interest expense	(3.2)	(1.1)	(2.0)	–	(2.0)

1. For Merseyrail and other joint ventures and associates, these are the total results of the entity multiplied by the proportion of Group ownership. For VIVO, although the equity ownership is 50%, the share of profits from contracts operated by VIVO is either 25% or 50%. Therefore the Group portion of material joint ventures will not represent exactly 50% of their income and net assets.

The Group's share of liabilities within joint ventures and associates is £141.2m (2023: £131.4m) which include £24.2m of lease obligations (2023: £29.1m) and £nil in joint venture loan liabilities (2023: £10.0m). The balance is trade and other payables which arise as part of the day-to-day operations carried out by those entities. Other than liabilities associated with leases, the Group has no material exposure to third party debt or other financing arrangements within any of its joint ventures and associates.

VIVO's funding requirement is agreed by both shareholders and based on the strategic business plan. At 31 December 2023, the funding provided was £10.0m from each shareholder which was repaid in the year ended 31 December 2024.

Notes to the Consolidated Financial Statements continued

31 December 2023

Summarised financial information	Merseyrail (100% of results) £m	VIVO (100% of results) £m	Group portion of material joint ventures and associates[1] £m	Group portion of other joint ventures and associates[1] £m	Total £m
Revenue	217.0	844.9	472.4	1.0	473.4
Operating profit	41.5	35.3	38.1	–	38.1
Net finance costs	0.3	(1.2)	(0.2)	–	(0.2)
Tax charge	(10.0)	(7.7)	(8.9)	–	(8.9)
Profit from operations	31.8	26.4	29.0	–	29.0
Other comprehensive income	2.2	–	1.1	–	1.1
Total comprehensive income	34.0	26.4	30.1	–	30.1
Non-current assets	61.3	8.9	34.3	–	34.3
Current assets	48.5	230.9	127.7	1.5	129.2
Current liabilities	(39.9)	(186.0)	(111.5)	(1.1)	(112.6)
Non-current liabilities	(45.6)	(14.1)	(18.7)	(0.1)	(18.8)
Net Assets	24.3	39.7	31.8	0.3	32.1
Portion of Group ownership	50%	50%			
Carrying amount of investment	12.2	19.9	31.8	0.3	32.1

1. For Merseyrail and other joint ventures and associates, these are the total results of the entity multiplied by the proportion of Group ownership. For VIVO, although the equity ownership is 50%, the share of profits from contracts operated by VIVO is either 25% or 50%. Therefore the Group portion of material joint ventures will not represent exactly 50% of their income and net assets.

Summarised financial information	Merseyrail (100% of results) £m	VIVO (100% of results) £m	Group portion of material joint ventures and associates1 £m	Group portion of other joint ventures and associates1 £m	Total £m
Cash and cash equivalents	27.2	43.8	35.5	0.4	35.9
Current financial liabilities excluding trade and other payables and provisions	(13.5)	(9.5)	(12.9)	(0.3)	(13.2)
Non-current financial liabilities excluding intercompany loans, trade and other payables and provisions	(45.4)	(14.1)	(38.6)	(0.1)	(38.7)
Current joint venture loans liability	–	(20.0)	(10.0)	–	(10.0)
Depreciation and amortisation	(9.1)	(4.0)	(5.0)	–	(5.0)
Interest income	2.0	0.5	1.3	–	1.3
Interest expense	(1.7)	(1.7)	(1.6)	0.1	(1.5)

1. For Merseyrail and other joint ventures and associates, these are the total results of the entity multiplied by the proportion of Group ownership. For VIVO, although the equity ownership is 50%, the share of profits from contracts operated by VIVO is either 25% or 50%. Therefore the Group portion of material joint ventures will not represent exactly 50% of their income and net assets.

Notes to the Consolidated Financial Statements continued

6. Acquisitions

See note 36 for details of acquisitions announced subsequent to the Balance Sheet date.

On 1 March 2024, the Group acquired 100% of the issued share capital of European Homecare (EHC), a private provider of immigration services in Germany. The operating results, assets and liabilities have been recognised effective 1 March 2024 and EHC contributed £115.6m of revenue and £18.9m of operating profit before exceptional items, including an appropriate allocation of charges for shared support services and fully allocated overheads, to the Group's result during the year to 31 December 2024.

On 31 January 2024, the Group acquired 100% of the issued share capital of Climatize, a business that operates in the United Arab Emirates and the Kingdom of Saudi Arabia offering 'zero-carbon' advisory and related engineering advisory services. The operating results, assets and liabilities have been recognised effective 31 January 2024. Climatize contributed £2.3m of revenue and £1.4m of operating profit before exceptional items, including an appropriate allocation of charges for shared support services and fully allocated overheads, to the Group's results during the year to 31 December 2024.

In the event that certain annual financial targets and conditions are achieved by Climatize, additional undiscounted consideration of between nil or up to AED51.3m (£10.8m) might be payable in cash over a three year period. The fair value of the contingent consideration of AED40m (£8.5m) was estimated by calculating the present value of the future expected cash flows. The estimate is based on a discount rate of 12% and Climatize achieving the maximum financial target in each of the three years. As at 31 December 2024, there has been no change to the expected earn-out since acquisition.

The total impact of acquisitions to the Group's cash flow position in the period was as follows:

	EHC £m	Climatize £m	Total £m
Enterprise value[1]	34.0	13.0	47.0
Working capital and completion account finalisation	9.7	(2.0)	7.7
Acquisition date fair value of consideration transferred	**43.7**	**11.0**	**54.7**
Contingent consideration on acquisition	–	(8.5)	(8.5)
Cash consideration	**43.7**	**2.5**	**46.2**
Cash acquired on acquisition of businesses	(24.9)	(0.5)	(25.4)
Acquisition of subsidiaries, net of cash acquired	**18.8**	**2.0**	**20.8**

1. Enterprise value reflects the consideration prior to working capital and fair value adjustments on the acquisition date. In local currency the enterprise value was €40m for EHC and AED60m for Climatize.

The fair value of assets acquired of the two acquisitions undertaken during the period are summarised below:

	EHC £m	Climatize £m	Total £m
Other intangible assets	15.5	–	15.5
Property, plant and equipment	5.7	–	5.7
Right of use assets	1.7	–	1.7
Trade and other receivables[1]	28.7	0.8	29.5
Cash and cash equivalents	24.9	0.5	25.4
Trade and other payables	(9.0)	–	(9.0)
Provisions[2]	(27.0)	–	(27.0)
Corporation tax liabilities	(11.8)	–	(11.8)
Deferred tax liabilities	(4.7)	–	(4.7)
Lease obligations	(1.5)	–	(1.5)
Net Assets Acquired	**22.5**	**1.3**	**23.8**
Goodwill[3]	**21.2**	**9.7**	**30.9**
Acquisition date fair value of consideration transferred	**43.7**	**11.0**	**54.7**

1. The fair value of acquired trade and other receivables was £28.7m. The gross contractual amount was £29.4m, with a loss allowance of £0.7m recognised on acquisition.
2. See note 25 for details of the contingent liability recognised in provisions on acquisition for EHC.
3. The goodwill for EHC and Climatize is attributable to the workforce and an increase in market share. No goodwill is expected to be deductible for tax purposes.

The total transaction and integration costs for EHC and Climatize recognised in administrative expenses for the year ended 31 December 2024 were £0.1m (2023: £1.1m).

Based on estimates made of the full-year impact of the acquisition of EHC and Climatize, had the acquisitions taken place on 1 January 2024, Group revenue and underlying operating profit for the period would have increased by approximately £23.8m and £3.2m respectively, taking total Group revenue to £4,811.1m and total Group underlying operating profit to £276.7m.

Notes to the Consolidated Financial Statements continued

7. Revenue from contracts with customers

Revenue

Information regarding the Group's major customers and a segmental analysis of revenue is provided in note 4.

An analysis of the Group's revenue from its key market sectors, together with the timing of revenue recognition across the Group's revenue from contracts with customers, is as follows:

Year ended 31 December 2024	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Total £m
Key sectors					
Defence	**358.2**	**932.5**	**181.4**	**26.3**	**1,498.4**
Justice & Immigration	**1,409.2**	**–**	**323.1**	**–**	**1,732.3**
Transport	**130.7**	**85.3**	**16.6**	**82.4**	**315.0**
Health & Other Facilities Management	**217.1**	**–**	**160.2**	**83.7**	**461.0**
Citizen Services	**330.7**	**308.3**	**118.1**	**23.5**	**780.6**
	2,445.9	**1,326.1**	**799.4**	**215.9**	**4,787.3**
Timing of revenue recognition					
Revenue recognised from performance obligations satisfied in previous periods	**4.8**	**–**	**–**	**–**	**4.8**
Revenue recognised at a point in time	**48.0**	**–**	**12.3**	**–**	**60.3**
Products and services transferred over time	**2,393.1**	**1,326.1**	**787.1**	**215.9**	**4,722.2**
	2,445.9	**1,326.1**	**799.4**	**215.9**	**4,787.3**

Year ended 31 December 2023	UK&E £m	North America £m	Asia Pacific £m	Middle East £m	Total £m
Key sectors					
Defence	355.0	931.9	156.7	30.9	1,474.5
Justice & Immigration	1,329.8	–	351.3	–	1,681.1
Transport	148.7	102.5	12.2	71.3	334.7
Health & Other Facilities Management	227.4	–	196.5	103.2	527.1
Citizen Services	378.6	328.4	128.4	21.0	856.4
	2,439.5	1,362.8	845.1	226.4	4,873.8
Timing of revenue recognition					
Revenue recognised from performance obligations satisfied in previous periods	2.8	–	1.3	–	4.1
Revenue recognised at a point in time	42.1	–	11.4	–	53.5
Products and services transferred over time	2,394.6	1,362.8	832.4	226.4	4,816.2
	2,439.5	1,362.8	845.1	226.4	4,873.8

Notes to the Consolidated Financial Statements continued

7. Revenue from contracts with customers continued

Transaction price allocated to remaining performance obligations

The following table shows the transaction price allocated to remaining performance obligations. This represents revenue expected to be recognised in subsequent periods arising on existing contractual arrangements. In assessing the future transaction price, the judgements of most relevance are the future term over which the transaction price is calculated and the estimation of variable revenue to be included.

Where a contract with a customer includes within the term of the committed contract provisions for price-rebasing or a provision for market testing, revenue beyond these is included to the extent that there are no indicators which suggest that the contract will not continue past this point, and it is highly probable that a significant reduction will not occur. Where there is a requirement for the Group, or a customer, to enter into a new contract, rather than continuing an existing contract, such an extension is not included for the purposes of calculating future transaction price.

Additionally, the Group has a small subset of contracts that contain a termination for convenience clause, for example, due to national security considerations, which are assumed by the Group not to be without cause. These contracts are considered to run for the full intended term for the purpose of calculating the transaction price allocated to remaining performance obligations, other than instances where the Group believes that termination will occur before the original contract end date. Under the terms of certain contracts which the Group has with its customers, the Group's compensation for providing those services is based on volumes or other drivers of variable activity, such as additional activities awarded under existing contracts. These volumes are not guaranteed, however, based on historic volumes and the nature of the contracts in operation, such as the provision of asylum seeker accommodation, Management is able to prepare a sufficiently reliable estimate of the minimum level of variable revenue that is likely to be earned. As a result, variable revenue is included only to the level at which Management remains confident that a significant reduction will not occur.

As part of the considerations around variable revenue, Management considers the impact that factors such as contractual performance, anticipated demand and pricing (including indexation) may have on future revenue recognised. Management also considers whether there are possible impacts from climate change and other environmental related risks, with certain sectors considered to be more at risk than others, however, no significant adjustments were identified in relation to the future revenue forecasts of existing contracts.

	UK&E £m	North America[1] £m	Asia Pacific £m	Middle East £m	Total £m
Within 1 year (2025)	2,187.4	747.9	536.2	134.1	3,605.6
Between 2 – 5 years (2026 – 2029)	4,822.1	415.4	833.7	240.0	6,311.2
5 years and beyond (2030+)	2,164.7	58.5	1,013.8	124.5	3,361.5
	9,174.2	1,221.8	2,383.7	498.6	13,278.3

1. Due to the nature of the contracting environment in the North America Division, the transaction price allocated to remaining performance obligations is primarily within 1 year and as a result the future years are inherently lower than other segments.

8. Non-underlying items

Non-underlying items consist of:

- IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The company uses the term 'exceptional items" to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. These items are separately disclosed and explained below. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure. Further details can be seen below.
- Amortisation and impairment of intangible assets arising on acquisition: These charges are disclosed separately because they are based on judgements about the value and economic life of assets that would not be capitalised in normal operating practice.

Year ended 31 December	2024 £m	2023 £m
Compensation received on the early termination of contractual services	–	9.9
Release of provisions held for indemnities given on disposed businesses	–	43.9
Impairment of goodwill in Asia Pacific (see note 16)	**(114.5)**	–
Exceptional items	**(114.5)**	53.8
Amortisation of customer relationship intangibles (see note 17)	**(26.9)**	(22.8)
Impairment of customer relationship intangibles (see note 17)	**(2.0)**	(8.1)
Amortisation and impairment of intangible assets arising on acquisition (excl. exceptional items)	**(28.9)**	(30.9)
Total non-underlying items before tax	**(143.4)**	22.9
Non-underlying tax credit	**7.9**	6.2
Total non-underlying items net of tax	**(135.5)**	29.1

Notes to the Consolidated Financial Statements continued

9. Operating profit

Operating profit is stated after charging/(crediting):

Year ended 31 December	2024 £m	2023 £m
Research and development costs	**0.1**	2.9
Profit on disposal of property, plant and equipment	**(0.3)**	(0.6)
Loss on early termination of leases	**0.1**	0.6
Loss/(profit) on disposal of intangible assets	**0.7**	(0.8)
Depreciation and impairment of property, plant and equipment	**16.8**	17.9
Depreciation and impairment of right of use assets	**141.7**	126.1
Impairment of goodwill	**114.5**	–
Amortisation and impairment of intangible assets – arising on acquisition	**28.9**	30.9
Amortisation and impairment of intangible assets	**8.3**	7.8
Staff costs (note 10)	**2,278.5**	2,207.7
Allowance for doubtful debts charged/(credited) to income statement	**1.0**	(0.4)
Net foreign exchange charge	**0.7**	0.8
Movement on non-designated hedges and reclassified cashflow hedges	**0.4**	(0.2)
Lease payments recognised through operating profit[1]	**3.0**	3.7
Operating lease income from sub-leases	**(2.0)**	(2.4)

1. The lease payments recognised in operating profit are those which have not been recorded in accordance with the permissible exemptions in IFRS 16 Leases for short-term or low-value leases.

Amounts payable by the Company and its subsidiary undertakings in respect of audit and non-audit services to the Company's Auditor are shown below.

Year ended 31 December	2024 £m	2023 £m
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**5.4**	3.9
Fees payable to the Company's Auditor and their associates for other services to the Group:		
– audit of the Company's subsidiaries pursuant to legislation	**1.6**	1.5
Total audit fees	**7.0**	5.4
– Audit-related assurance services	**0.6**	0.6
– Other non-audit services	**–**	–
Total non-audit fees	**0.6**	0.6

Fees payable to the Company's Auditor for non-audit services to the Company are not required to be disclosed separately because the Consolidated Financial Statements are required to disclose such fees on a consolidated basis.

Details of the Company's policy on the use of auditors for non-audit services and how the auditor's independence and objectivity was safeguarded, are set out in the Audit Committee Report on page 93. No services were provided pursuant to contingent fee arrangements.

10. Staff costs

The average number of persons employed by the Group (including Executive Directors) was:

Year ended 31 December	2024 Number	2023 Number
UK & Europe[1]	**24,702**	21,415
North America	**8,681**	9,145
Asia Pacific	**12,825**	13,017
Middle East	**1,453**	1,744
Unallocated[2]	**128**	884
	47,789	46,205

1 UK & Europe in 2024 includes Enabling Services and ITS employees who were previously under unallocated in 2023.
2 Unallocated includes Group overhead functions.

Notes to the Consolidated Financial Statements continued

10. Staff costs continued

The average number of persons employed includes all individuals employed under contracts of service by the Group. This comprises permanent, part-time, and casual employees and those with fixed term contracts. It excludes self-employed contractors and other casual workers.

Aggregate remuneration of all employees based on the average number of employees reported above was:

Year ended 31 December	2024 £m	2023 £m
Wages and salaries	**1,987.2**	1,934.2
Social security costs	**170.5**	157.9
Other pension costs (note 29)	**105.6**	102.1
	2,263.3	2,194.2
Share-based payment expense (note 33)	**15.2**	13.5
	2,278.5	2,207.7

11. Investment revenue

Year ended 31 December	2024 £m	2023 £m
Interest receivable on loans and deposits	**5.3**	3.9
Net interest receivable on retirement benefit obligations (note 29)	**1.9**	3.1
Movement in discount on other debtors	**0.5**	–
	7.7	7.0

12. Finance costs

Year ended 31 December	2024 £m	2023 £m
Interest payable on lease liabilities	**19.9**	13.1
Interest payable on loans	**14.7**	15.6
Facility fees and other charges	**2.7**	2.1
	37.3	30.8
Movement in discount on deferred consideration	**0.9**	–
Movement in discount on other creditors	**0.5**	–
Foreign exchange on financing activities[1]	**2.1**	0.8
	40.8	31.6

1. Foreign exchange on financing activities includes realised losses of £13.1m (2023: £1.5m) on derivates which is shown in the cash flow statement under financing activities and £11.0m (2023: £0.7) of unrealised gains on derivates and loans. The derivatives have been entered into to offset foreign exchange exposures arising on the intra group financing arrangements within the Group.

13. Tax

13 (a) Income tax recognised in the income statement

Year ended 31 December	Underlying 2024 £m	Non underlying items 2024 £m	Reported 2024 £m	Underlying 2023 £m	Non underlying items 2023 £m	Reported 2023 £m
Current income tax						
Current income tax charge/(credit)	**53.3**	**(4.0)**	**49.3**	34.0	(1.5)	32.5
Adjustments in respect of prior years	**0.4**	**–**	**0.4**	1.3	–	1.3
Deferred tax						
Current year charge/(credit)	**5.3**	**(3.9)**	**1.4**	16.8	(4.7)	12.1
Adjustments in respect of prior years	**1.4**	**–**	**1.4**	(1.3)	–	(1.3)
	60.4	**(7.9)**	**52.5**	50.8	(6.2)	44.6

Notes to the Consolidated Financial Statements continued

13. Tax continued

The tax expense for the year can be reconciled to the profit in the Consolidated Income Statement as follows:

Year ended 31 December	Underlying 2024 £m	Non-underlying items 2024 £m	Reported 2024 £m	Underlying 2023 £m	Non-underlying items 2023 £m	Reported 2023 £m
Profit before tax	**240.4**	**(143.4)**	**97.0**	224.1	22.9	247.0
Tax calculated at a rate of 25.0% (2023: 23.5%)	**60.1**	**(35.8)**	**24.3**	52.7	5.3	58.0
Expenses not deductible for tax purposes[1]	**3.5**	**28.6**	**32.1**	2.9	–	2.9
Unprovided deferred tax[2]	**0.6**	**–**	**0.6**	1.5	–	1.5
Impact of changes in statutory tax rates on current income tax	**–**	**–**	**–**	0.3	–	0.3
Overseas rate differences	**(0.6)**	**(0.7)**	**(1.3)**	1.8	(1.2)	0.6
Other non-taxable income	**(1.4)**	**–**	**(1.4)**	(2.4)	(10.3)	(12.7)
Adjustments in respect of prior years	**1.4**	**–**	**1.4**	–	–	–
Adjustments in respect of equity accounted investments	**(5.7)**	**–**	**(5.7)**	(6.8)	–	(6.8)
Witholding tax[3]	**2.5**	**–**	**2.5**	0.8	–	0.8
Tax charge/(credit)	**60.4**	**(7.9)**	**52.5**	50.8	(6.2)	44.6

1. Relates to costs that are not allowable for tax deduction under local tax law.
2. The unprovided deferred tax disclosure for 2023 has been amended. Due to the value of each component, UK unprovided and other unprovided deferred tax are now combined. There is no change to the total unprovided deferred tax balance in 2023.
3. The 2023 disclosure has been amended to move £0.8m from "other expenses not deductible" to "withholding taxes". A new reconciling item named "withholding taxes" has been included in 2024 due to the increase in this amount during the year; 2023 has been amended to aid comparison. There is no change to the total tax charge for 2023.

The corporate income tax expense for the year is based on the UK statutory rate of corporation tax for the period of 25.0% (2023: 23.5%). Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

13 (b) Income tax recognised in the SOCI

Year ended 31 December	2024 £m	2023 £m
Current tax		
Taken to retirement benefit obligations reserve	**2.4**	1.9
Deferred tax		
Relating to cash flow hedges	**0.1**	0.2
Taken to retirement benefit obligations reserve	**5.3**	4.2
	7.8	6.3

13 (c) Tax on items taken directly to equity

Year ended 31 December	2024 £m	2023 £m
Current tax		
Recorded in share-based payment reserve	**1.1**	1.0
Deferred tax		
Recorded in share-based payment reserve	**(0.4)**	(0.5)
	0.7	0.5

Notes to the Consolidated Financial Statements continued

14. Deferred tax

Deferred income taxes are calculated in full on temporary differences under the liability method using local substantively enacted tax rates.

The movement in net deferred tax (assets)/liabilities during the year was as follows:

Year ended 31 December	2024 £m	2023 £m
At 1 January – asset	(184.8)	(190.4)
Income statement charge	2.8	10.8
Items recognised in equity and in other comprehensive income	(5.0)	(3.9)
Arising on acquisition	4.7	(1.3)
Exchange differences	4.6	–
At 31 December – asset	**(177.7)**	**(184.8)**

The movement in deferred tax (assets)/liabilities during the year was as follows:

	Temporary differences on assets/ intangibles £m	Temporary differences on right of use assets £m	Temporary differences on lease liabilities £m	Share-based payment and employee benefits £m	Retirement benefit schemes £m	Onerous contract provisions £m	Derivative financial instruments £m	Tax losses £m	Other temporary differences £m	Total £m
1 January 2024	29.0	15.4	(17.6)	(36.8)	7.1	(1.0)	(0.1)	(157.5)	(23.3)	(184.8)
(Credited)/charged to income statement (note 13a)	(0.6)	(0.1)	0.7	(3.4)	(0.2)	0.3	–	2.0	4.1	2.8
Transfer in temporary difference	17.7	–	–	–	–	–	–	–	(17.7)	–
Arising on acquisition of a subsidiary	4.7	–	–	–	–	–	–	–	–	4.7
Items recognised in equity and in other comprehensive income (notes 13b and 13c)	–	–	–	0.4	(5.3)	–	(0.1)	–	–	(5.0)
Exchange differences	1.0	(0.2)	0.2	1.3	–	–	–	–	2.3	4.6
31 December 2024	51.8	15.1	(16.7)	(38.5)	1.6	(0.7)	(0.2)	(155.5)	(34.6)	(177.7)

Other temporary differences include amounts such as provisions and accruals which, under certain tax laws, are only allowable when expended. £17.7m previously included within 'other timing differences' has been reclassified to 'temporary difference on assets/ intangibles.' This balance relates to intangible assets held.

Notes to the Consolidated Financial Statements continued

14. Deferred tax continued

The movement in deferred tax (assets)/liabilities during the previous year was as follows:

	Temporary differences on assets/ intangibles £m	Temporary differences on right of use assets £m	Temporary differences on lease liabilities £m	Share-based payment and employee benefits £m	Retirement benefit schemes £m	Onerous contract provisions £m	Derivative financial instruments £m	Tax losses £m	Other temporary differences £m	Total £m
1 January 2023	32.8	–	–	(38.0)	11.2	(0.8)	0.1	(165.6)	(30.1)	(190.4)
IFRS 16 Restatement	0.8	18.6	(22.1)	–	–	–	–	–	2.7	–
At 1 January (Restated)	33.6	18.6	(22.1)	(38.0)	11.2	(0.8)	0.1	(165.6)	(27.4)	(190.4)
(Credited)/charged to income statement (note 13a)	(0.4)	(2.4)	3.6	(0.9)	0.1	(0.2)	–	8.0	3.0	10.8
Arising on acquisition of a subsidiary	(1.3)	–	–	–	–	–	–	–	–	(1.3)
Items recognised in equity and in other comprehensive income (notes 13b and 13c)	–	–	–	0.5	(4.2)	–	(0.2)	–	–	(3.9)
Exchange differences	(2.9)	(0.8)	0.9	1.6	–	–	–	0.1	1.1	–
31 December 2023	29.0	15.4	(17.6)	(36.8)	7.1	(1.0)	(0.1)	(157.5)	(23.3)	(184.8)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following analysis shows the deferred tax balances (after offset) for financial reporting purposes:

	2024 £	2023 £
Deferred tax liabilities	**52.1**	50.9
Deferred tax assets	**(229.8)**	(235.7)
	(177.7)	(184.8)

As at the balance sheet date, the UK has a potential deferred tax asset of £235.6m (2023: £238.4m) available for offset against future profits. A UK deferred tax asset has currently been recognised of £177.5m (2023: £179.9m). Recognition has been based on the ongoing strength of the underlying UK business, indicating a sustained profitability which will enable accumulated tax losses within the UK to be utilised.

An Australian deferred tax asset continues to be recognised in full, on the basis that this business is expected to have future profits against which these future tax deductions will be used. This asset is valued at £50.5m on the Group's balance sheet at 31 December 2024 (2023: £52.5m).

No deferred tax asset has been recognised in respect of the remaining UK asset (net £58.1m) as they are more restricted in their use either due to their nature, such as capital losses, or the period and entity in which they arose; in particular, revenue losses arising prior to April 2017 are more restricted in their use. The deferred tax balance at 31 December 2024 has been calculated reflecting the increased rate of 25%.

Outside of the UK, there is a further £18.6m (2023: £20.5m) of deferred tax assets which have not been recognised. £17.9m (2023: £19.8m) of this relates to revenue losses where current forecasts do not support recognition.

On 9 December 2022, the Ministry of Finance in UAE published tax law under which certain Serco operations in UAE pay tax from January 2024. The introduction of this tax has not had a material impact on the Group's tax liability.

In October 2021, over 130 countries in the Organisation for Economic Cooperation and Development (OECD) jointly released a framework to introduce a global minimum tax rate of 15% in order to address concerns about uneven profit distributions and tax contributions of large multinationals. In July 2023, the UK government enacted legislation which brought this framework into UK law from January 2024. During 2024 this minimum tax also does not have a material impact on the Group tax liability.

The Group has applied a temporary mandatory relief from deferred tax accounting for the impact of the top-up tax and accounts for it as a current tax when it is incurred.

Losses of £2.2m (2023: £7.0m) expire within 5 years, losses of £42.0m (2023: £45.7m) expire within 6-10 years, losses of £4.3m (2023: £4.8m) expire within 20 years and losses of £885.2m (2023: £887.7m) may be carried forward indefinitely.

Notes to the Consolidated Financial Statements continued

15. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to owners of the Company by the weighted average number of shares in issue after deducting the own shares held by employee share ownership trusts and treasury shares and adding back vested share options not exercised.

In calculating the diluted earnings per share, unvested share options outstanding have been taken into account where the impact of these is dilutive.

The calculation of the basic and diluted EPS is based on the following data:

Number of shares	2024 millions	2023 millions
Weighted average number of ordinary shares for the purpose of basic EPS	**1,058.9**	1,110.2
Effect of dilutive potential ordinary shares: Shares under award	**19.2**	18.4
Weighted average number of ordinary shares for the purpose of diluted EPS	**1,078.1**	1,128.6

Earnings per share

Basic EPS	Earnings 2024 £m	Per share amount 2024 pence	Earnings 2023 £m	Per share amount 2023 pence
Earnings for the purpose of basic EPS	**44.2**	**4.17**	202.4	18.23
Effect of dilutive potential ordinary shares	**–**	**(0.07)**	–	(0.30)
Diluted EPS	**44.2**	**4.10**	202.4	17.93

16. Goodwill

	Cost £m	Accumulated impairment losses £m	Carrying amount £m
1 January 2023	1,298.9	(353.9)	945.0
Acquisitions - revision of provisional fair value estimates	3.1	–	3.1
Disposals	(0.1)	–	(0.1)
Exchange differences	(55.1)	13.8	(41.3)
At 31 December 2023	**1,246.8**	**(340.1)**	**906.7**
Acquisitions	**30.9**	**–**	**30.9**
Impairment	**–**	**(114.5)**	**(114.5)**
Exchange differences	**3.1**	**–**	**3.1**
At 31 December 2024	**1,280.8**	**(454.6)**	**826.2**

Movements in the balance since the prior year end can be seen as follows:

	Goodwill balance 1 January 2024 £m	Acquisitions £m	Impairment £m	Exchange differences 2024 £m	Goodwill balance 31 December 2024 £m	Headroom on impairment analysis 2024 £m	Headroom on impairment analysis 2023 £m
UK & Europe	**206.6**	**21.2**	**–**	**(0.8)**	**227.0**	**1,234.8**	1,051.1
North America	**559.5**	**–**	**–**	**9.0**	**568.5**	**889.2**	644.3
Asia Pacific	**130.2**	**–**	**(114.5)**	**(5.4)**	**10.3**	**–**	110.0
Middle East	**10.4**	**9.7**	**–**	**0.3**	**20.4**	**327.0**	285.5
	906.7	**30.9**	**(114.5)**	**3.1**	**826.2**	**2,451.0**	2,090.9

Included above is the headroom on the cash generating units (CGUs) existing at the year end, which reflects where future discounted cash flows are greater than the underlying assets and includes all relevant cash flows, including where provisions have been made for future costs and losses. In all CGUs other than Asia Pacific, there is sufficient headroom available (2023: all CGUs had sufficient headroom).

Notes to the Consolidated Financial Statements continued

16. Goodwill continued

The key quantifiable assumptions applied in the impairment assessment are set out below:

	Discount rate % 2024	Discount rate % 2023	Terminal growth rates % 2024	Terminal growth rates % 2023
UK & Europe	**10.1**	10.2	**2.1**	2.0
North America	**11.1**	11.4	**2.3**	2.3
Asia Pacific	**12.1**	12.3	**2.2**	2.2
Middle East	**11.4**	12.0	**2.5**	2.5

Discount rate

Pre-tax discount rates derived from the Group's post-tax weighted average cost of capital have been used in discounting the projected cash flows. These rates are reviewed annually with external advisers and are adjusted for risks specific to the market in which the CGU operates and risks specific to the Group; cash flow risks are considered within cash flows and not the discount rate.

Terminal growth rates

The value in use calculation includes a terminal value based on the projections for the fifth year of the five-year plan, with a growth rate assumption applied which extrapolates the business into perpetuity. The terminal growth rates are based on long-term inflation rates of the geographic market in which the CGUs operate and therefore do not exceed the average long-term growth rates forecast for the individual markets. These are provided by external advisers and have not materially changed as compared with 2023.

Short-term growth rates

The annual impairment test is performed immediately prior to the year end, based initially on the Board-approved five-year plan. Short-term revenue growth rates used in each CGU's five-year plan are based on internal data regarding our current contracted position, the pipeline of opportunities and forecast growth for the relevant market.

Short-term profitability and cash conversion is based on our historic experiences and requires a level of judgement. Where businesses have been poor performers, performance improvement has only been assumed where the Directors have assessed that an achievable plan is in place and all forecasts include cash flows relating to contracts where onerous contract provisions have been made.

As explained in note 3, the Directors consider certain sectors in which the Group operates to be more exposed to environmental risks than others. For example, changes in consumer attitudes to aviation or the use of private vehicles, may have an impact on the Group's transport contracts. Currently, no adjustment to existing contracts is required, although Management will continue to monitor the potential impact of environmental risks.

Outcome of our annual impairment assessment

Management's impairment assessment has concluded that there is significant headroom within the UK&E, North America, and the Middle East CGUs, consistent with the assessment at the year ended 31 December 2023.

The impairment exercise at the year ended 31 December 2024 concluded that the carrying value of the Asia Pacific CGU exceeded its recoverable amount by £114.5m having determined the value in use to exceed the CGU's fair value less cost of disposal. Consequently, the Directors have recognised an impairment charge equivalent to this amount within the income statement, presented within 'Exceptional items' (see note 8). The remaining goodwill held in respect of the Asia Pacific CGU following the impairment is £10.3m. No impairment was recognised for the year ended 31 December 2023.

Sensitivity analysis

Reflecting the assumptions made in the estimation of future cash flows and the selection of appropriate discount rates and terminal growth rates, a number of plausible scenarios have been considered as part of the overall impairment assessment below. Due to the impairment recognised in respect of the Asia Pacific CGU, separate sensitivities have been performed and therefore the scenarios below do not apply to this CGU.

Sensitivity	Impact
1% increase in discount rates combined with a 1% decrease in terminal growth rates	No impairment
No growth to cash flows outside the two-year budget period	No impairment
10% reduction in cash flows in the terminal year[1]	No impairment

1. Cash flows in the terminal year would need to reduce by 99% in the Middle East (£34.1m), 64% in North America (£74.9m) and 89% in UK & Europe (£117.7m), before an impairment would need to be recognised.

Asia Pacific CGU

2024 has been a year of change for the Asia Pacific Division after a challenging year in 2023. New management has been appointed and their focus has been on improving margins by establishing an overhead cost structure which is appropriate for the size of the business, and improving contract performance where the profits being generated are lower than expected. Good progress has been made with annualised overhead reductions of c£9m being realised, and profitability on some key contracts improved; these continue to be a priority for 2025 and further progress is expected. Underlying Operating Profit has increased by 71% to £16.8m in H2 2024 compared to the same period in 2023.

Notes to the Consolidated Financial Statements continued

Asia Pacific CGU continued

Organic growth declined by 5% in 2024, although the second half of the year compared to the same period in 2023 saw organic growth of 4%. The Directors continue to recognise that this element of the turnaround plan will take longer to realise given the lead time to identify new business opportunities and convert them into revenue. The Division saw an improvement in new business win rates during 2024 of 15% in key markets compared to the Asia Pacific five-year average of 9% although still below the Group's five-year average win rate of 55%. The Directors see no significant structural differences within the Asia Pacific market which would prevent the Division achieving win rates at, or near, the Group average. The average win rates assumed for new business within the five-year plan submitted by the Division are lower than the Group five-year average at 21%.

In order to improve the Division's pipeline and win rates on new business, changes to the execution of the growth strategy have been introduced, including reviewing the root causes for low win rates and developing a more focused and refined strategy and pipeline. To implement these improvements, the CGU also underwent a restructure of the Growth team to enhance capabilities and engagement with government departments. Regarding the pipeline, the Division's 2025 five-year plan submission focuses on a smaller number of targeted opportunities, aiming to allocate more effort to each bid to achieve better win rates; the current pipeline does not represent the universe of opportunities available within the market, and identification of new opportunities is also a priority for the new Growth Team.

The five-year plan submitted by the Division has been risk-adjusted to ensure compliance with IAS 36, and this adjusted plan has been used to determine the impairment charge. This plan is based on historic new business win rates for the Division of 9%, assuming no improvement from the activities outlined above. Consequently, the win rates used are lower than both the Group's average and below the Directors' expectations for the Division. For the purposes of the impairment calculation, and in accordance with IAS 36, any planned enhancements to business performance have not been considered, except where benefits have already been realised.

On 8 November 2024, the Group was informed it had been unsuccessful in its rebid of the Immigration services contract in Australia. The financial statements for the year ended 31 December 2023 disclosed that a loss of this contract may lead to an impairment unless a fundamental restructuring of the Division was undertaken to improve profitability and mitigate the risk of any impairment. As at 31 December 2024, the Directors were in the process of developing a revised operating structure for the Asia Pacific Division, but this had not been finalised or communicated, and therefore has not been taken into consideration for the impairment test in accordance with IAS 36.

The Group will continue to provide immigration services under the contract during the transition period, which is expected to end during the first half of 2025. As required by IAS 36, no benefits from any subsequent restructuring of the Division have been considered within the value-in-use assessment and no provisions for any such restructuring have been recorded on the balance sheet at 31 December 2024.

Key assumptions and sensitivities applied to testing goodwill allocated to the Asia Pacific CGU

The Directors have risk adjusted the cash flows in the five-year plan submitted by Divisional management used in the value-in-use assessment under IAS 36, which effectively assumes a continuation of poor historic performance and no further enhancements to the Asia Pacific business. These adjustments remove the benefit of any further the turnaround activity being undertaken in the Division and therefore values the business based on growth in the terminal year of 2.2%, the long-term inflation rate for the region.

Uncommitted restructuring costs and benefits of the Division following the loss of the immigration contract have been excluded from the value-in-use calculation. The following risk adjustments have been made to the baseline forecast submitted by the Asia Pacific Division to reflect the Directors' assessment of certain key assumptions:

- New business win rates are at the five year average of 9% by value which is lower than the average win rates assumed within the five-year plan submitted by the Asia Pacific Management team of 21%. Whilst this does not require an improvement from current levels experienced by the Division in 2024 of 15% (2023: 2%), it requires improvement on win rates experienced by the Division in recent years.
- Rebid win rates by value align with the five-year average when excluding the loss of the immigration contract of 72% (2023: 63%) which is lower than the current levels experienced by the Division in 2024 of 90% on the same basis. The five-year average including the loss of the immigration contract is 58%.
- A lower estimate associated to a win of the Base Services Transformation Programme (BSTP) opportunity which forms a significant part of the CGU's pipeline of opportunities, for which a decision could made in 2025. The win rate used is higher than the long term historic win rate, reflecting the experience the Group has in delivering facility management services as a core capability, and the diversified nature of the contract enabling multiple bidders to be successful in winning one or multiple regions.

The table below demonstrates how the impairment charge would change if each of the sensitivities outlined above is adjusted within the value-in-use model for the Asia Pacific Division.

	Low scenario	High scenario
New business win rate at 9% / 21%	No more impairment	£67.9m less impairment
Rebid win rate at 58% / 90%	Full impairment of goodwill[1]	£44.6m less impairment
BSTP loss / as planned	Full impairment of goodwill[1]	£41.9m less impairment
1% increase / decrease in discount rate	Full impairment of goodwill[1]	£15.2m less impairment

1. The Directors have assessed the recoverability of assets other than Goodwill within the Asia Pacific CGU and have determined that an impairment beyond the full value of Goodwill would not result in an impairment of any further assets.

The Directors consider that it is possible to expect that actual future cash flows will outperform the risk-adjusted cash flows modelled for the purpose of testing goodwill impairment. A less conservative view of risks and opportunities in the base case forecast, which aligns to the Divisional plan excluding risk adjustments to the cash flows, would result in headroom of approximately £100.1m rather than the impairment charge.

Notes to the Consolidated Financial Statements continued

17. Other intangible assets

	Acquisition related	Other		
	Customer relationships £m	Software and IT £m	Internally generated development expenditure £m	Total £m
Cost				
At 1 January 2024	**202.8**	**132.8**	**57.6**	**393.2**
Arising on acquisition	**15.4**	**0.1**	**–**	**15.5**
Additions - internal development	**–**	**1.8**	**1.9**	**3.7**
Additions - external	**–**	**5.4**	**–**	**5.4**
Disposals	**(0.4)**	**(2.3)**	**(11.4)**	**(14.1)**
Exchange differences	**0.3**	**(1.7)**	**–**	**(1.4)**
At 31 December 2024	**218.1**	**136.1**	**48.1**	**402.3**
Accumulated amortisation and impairment				
At 1 January 2024	**114.2**	**110.2**	**53.2**	**277.6**
Impairment charge	**2.0**	**–**	**–**	**2.0**
Amortisation charge - internal development	**–**	**2.6**	**1.2**	**3.8**
Amortisation charge - external	**26.9**	**4.5**	**–**	**31.4**
Disposals	**(0.4)**	**(1.6)**	**(11.4)**	**(13.4)**
Exchange differences	**0.8**	**(1.3)**	**–**	**(0.5)**
At 31 December 2024	**143.5**	**114.4**	**43.0**	**300.9**
Net book value				
At 31 December 2024	**74.6**	**21.7**	**5.1**	**101.4**

	Acquisition related	Other		
	Customer relationships £m	Software £m	Internally generated development expenditure £m	Total £m
Cost				
At 1 January 2023	219.5	137.5	54.4	411.4
Acquisitions - revision of provisional fair value estimates	(6.9)	–	–	(6.9)
Additions - internal development	–	–	3.4	3.4
Additions - external	–	5.4	–	5.4
Disposals	–	(7.1)	–	(7.1)
Exchange differences	(9.8)	(3.0)	(0.2)	(13.0)
At 31 December 2023	202.8	132.8	57.6	393.2
Accumulated amortisation and impairment				
At 1 January 2023	88.5	112.1	52.8	253.4
Impairment charge	8.1	0.1	–	8.2
Amortisation charge - internal development	–	3.3	0.6	3.9
Amortisation charge - external	22.8	3.8	–	26.6
Disposals	–	(6.5)	–	(6.5)
Exchange differences	(5.2)	(2.6)	(0.2)	(8.0)
At 31 December 2023	114.2	110.2	53.2	277.6
Net book value				
At 31 December 2023	88.6	22.6	4.4	115.6

During the year ended 31 December 2023, the Group recognised an impairment charge on customer relationships of £8.1m. The customer relationship arose on acquisition, however, the unexpected loss of key contracts and lack of visible opportunities with the relevant customer resulted in an impairment of the intangible asset.

The net book value of internally generated intangible assets as at 31 December 2024 was £5.1m (2023: £4.4m) in development expenditure and £2.1m (2023: £nil) in software and IT.

Notes to the Consolidated Financial Statements continued

18. Property, plant and equipment and right of use assets

	Land & Buildings Owned £m	Land & Buildings Leased £m	Leasehold Improvements Owned £m	Other Assets Owned[1] £m	Other Assets Leased[1] £m	TOTAL £m
Cost						
At 1 January 2024	**4.1**	**737.1**	**35.9**	**132.1**	**87.1**	**996.3**
Arising on acquisition	**3.8**	**1.5**	**–**	**1.9**	**0.2**	**7.4**
Additions	**0.1**	**207.7**	**5.0**	**20.2**	**27.6**	**260.6**
Reclassifications between categories	**(0.5)**	**–**	**0.5**	**–**	**–**	**–**
Disposals	**(0.1)**	**(52.6)**	**(4.6)**	**(15.0)**	**(27.6)**	**(99.9)**
Exchange differences	**(0.1)**	**(2.6)**	**(0.3)**	**(2.1)**	**(0.3)**	**(5.4)**
At 31 December 2024	**7.3**	**891.1**	**36.5**	**137.1**	**87.0**	**1,159.0**
Accumulated depreciation and impairment						
At 1 January 2024	**2.9**	**333.8**	**25.0**	**99.9**	**49.5**	**511.1**
Charge/(credit) for the year - impairment	**–**	**0.2**	**–**	**(0.4)**	**–**	**(0.2)**
Charge for the year - depreciation	**0.3**	**123.9**	**3.7**	**13.2**	**17.6**	**158.7**
Disposals	**(0.2)**	**(41.7)**	**(4.4)**	**(14.2)**	**(18.6)**	**(79.1)**
Exchange differences	**–**	**(1.4)**	**(0.2)**	**(1.5)**	**(0.1)**	**(3.2)**
At 31 December 2024	**3.0**	**414.8**	**24.1**	**97.0**	**48.4**	**587.3**
Net book value[2]						
At 31 December 2024	**4.3**	**476.3**	**12.4**	**40.1**	**38.6**	**571.7**

1. Other assets include machinery, vehicles, furniture and equipment.
2. The net book value is shown on the balance sheet as £56.8m of owned assets in property, plant and equipment and £514.9m of leased assets in right of use assets.

The additions for leased land and buildings include £2.0m (2023: £0.9m) for dismantling provisions.

	Land & Buildings Owned £m	Land & Buildings Leased £m	Leasehold Improvements Owned £m	Other Assets Owned[1] £m	Other Assets Leased[1] £m	TOTAL £m
Cost						
1 January 2023	4.3	673.5	37.2	139.9	132.9	987.8
Additions	0.4	135.7	1.2	14.3	12.8	164.4
Reclassifications between categories	–	8.2	–	–	(8.2)	–
Disposals	(0.6)	(74.4)	(1.1)	(18.7)	(49.6)	(144.4)
Exchange differences	–	(5.9)	(1.4)	(3.4)	(0.8)	(11.5)
At 31 December 2023	4.1	737.1	35.9	132.1	87.1	996.3
Accumulated depreciation and impairment						
1 January 2023	3.3	294.2	22.8	107.2	78.0	505.5
Charge for the year - impairment	0.2	0.7	0.1	0.3	–	1.3
Charge for the year - depreciation	–	107.6	3.8	13.5	17.8	142.7
Disposals	(0.6)	(65.0)	(0.8)	(18.3)	(45.9)	(130.6)
Exchange differences	–	(3.7)	(0.9)	(2.8)	(0.4)	(7.8)
At 31 December 2023	2.9	333.8	25.0	99.9	49.5	511.1
Net book value[2]						
At 31 December 2023	1.2	403.3	10.9	32.2	37.6	485.2

1. Other assets include machinery, vehicles, furniture and equipment.
2. The net book value is shown on the balance sheet as £44.3m of owned assets in property, plant and equipment and £440.9m of leased assets in right of use assets.

Notes to the Consolidated Financial Statements continued

19. Inventories

	2024 £m	2023 £m
Service spares, supplies, consumables and work in progress	**24.1**	24.1

20. Contract assets, trade and other receivables

Contract assets: Current	2024 £m	2023 £m
Accrued income and other unbilled receivables	**289.0**	287.6
Capitalised bid costs	**1.8**	2.1
Capitalised mobilisation and phase in costs	**7.7**	5.6
Other contract assets	**1.5**	1.3
	300.0	296.6

The Group's Consolidated Balance Sheet includes capitalised bid and phase-in costs that are realised as part of the normal operating cycle of the Group. These assets represent upfront investments in contracts which are recoverable and expected to provide benefits over the life of those contracts. Bid costs are capitalised only when they relate directly to a contract and are incremental to securing the contract. Any costs which would have been incurred whether or not the contract is actually won are not considered to be capitalised bid costs.

Contract costs can only be capitalised when the expenditure meets all three criteria identified in note 2.

Movements in the period were as follows:

Capitalised other contract assets, bid and phase-in costs	2024 £m	2023 £m
At 1 January	**9.0**	10.6
Additions	**4.2**	0.8
Amortisation	**(2.0)**	(2.2)
Exchange differences	**(0.2)**	(0.2)
At 31 December	**11.0**	9.0

Total trade and other receivables held by the Group at 31 December 2024 amount to £357.8m (2023: £343.8m).

Trade and other receivables: Non-current	2024 £m	2023 £m
Prepayments	**5.0**	0.4
Other receivables	**21.3**	14.4
	26.3	14.8

Other non-current receivables include long-term employee compensation plans, advances and other non-trade receivables.

Trade and other receivables: Current	2024 £m	2023 £m
Trade receivables	**228.2**	219.1
Prepayments	**55.0**	55.2
Amounts owed by joint ventures and associates	**–**	1.1
Other receivables	**48.3**	53.6
	331.5	329.0

Other receivables includes advanced deposits to suppliers and 2023 included cash transferred to purchase shares for the Employee Share Ownership Trust where the shares are yet to be received. Included in the current other receivables balance is a further £18.0m (2023: £1.2m) due from agencies of the UK Government.

The management of trade receivables is the responsibility of the reportable operating segments, although they report to the Group on a monthly basis on debtor days, debtor ageing and significant outstanding debts. The average credit period taken by customers is 17 days (2023: 16 days) and no interest was charged on overdue amounts in the current or prior reporting period.

Each customer has an external credit score which determines the level of credit provided. However, the majority of the Group's customers have a sovereign credit rating as a result of being government organisations. Of the trade receivables balance at the end of the year, £44.7m is due from agencies of the UK Government, the Group's largest customer (2023: £43.5m); £42.9m from the Australian Government (2023: £43.6m); £27.8m from the US Government (2023: £35.7m); and £18.1m from the Government of the United Arab Emirates (2023: £15.2m). There are no other customers who represent more than 5% of the total balance of trade receivables. The maximum potential exposure to credit risk in relation to trade receivables at the reporting date is equal to their carrying value. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements continued

20. Contract assets, trade and other receivables continued

The Group does not have any material impairments associated with expected credit losses due to the sovereign credit rating of most customers. Further, specific impairments to trade receivables are based on estimated irrecoverable amounts and provisions on outstanding balances greater than 90 days old unless there is firm evidence that the balance is recoverable or is not covered by a credit note provision in unbilled receivables. The total amount of these impairments for the Group as at 31 December 2024 was £4.8m (2023: £2.8m).

An Expected Credit Loss (ECL) is recognised against contract assets, trade and other receivables only when the ECL is considered to be material and there is evidence that the credit worthiness of a counterparty may render balances irrecoverable. The amount of ECL recognised at 31 December 2024 was £nil (2023: £nil).

Ageing of trade receivables	2024 £m	2023 £m
Not due	**183.4**	168.6
Overdue by less than 30 days	**29.2**	31.3
Overdue by between 30 and 60 days	**8.4**	11.0
Overdue by more than 60 days	**12.0**	11.0
Allowance for doubtful debts	**(4.8)**	(2.8)
	228.2	219.1

Of the total overdue trade receivable balance, 57% (2023: 61%) relates to the Group's four major governmental customers (being the governments of the UK, US, Australia and the United Arab Emirates).

Movements on the Group allowance for doubtful debts	2024 £m	2023 £m
At 1 January	**2.8**	3.3
Arising on acquisition	**1.5**	–
Net charges and releases to income statement	**1.0**	(0.4)
Utilised	**(0.1)**	–
Exchange differences	**(0.4)**	(0.1)
At 31 December	**4.8**	2.8

21. Cash and cash equivalents

	Sterling 2024 £m	Other currencies 2024 £m	Total 2024 £m	Sterling 2023 £m	Other currencies 2023 £m	Total 2023 £m
Total cash and cash equivalents	**102.5**	**80.5**	**183.0**	38.2	56.2	94.4

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments (money market funds) with a maturity of three months or less from the date of acquisition.

Notes to the Consolidated Financial Statements continued

22. Contract liabilities, trade and other payables

Contract liabilities: Current	2024 £m	2023 £m
Deferred income	**37.5**	35.8

Contract liabilities: Non-current	2024 £m	2023 £m
Deferred income	**60.7**	59.3

The allocation of deferred income between current and non-current is presented on the basis that the current portion will unwind in the following 12 months through revenue. There were no material items in the current portion of deferred income in 2023 which did not unwind during the year.

Total trade and other payables held by the Group at 31 December 2024 amount to £616.5m (2023: £567.2m).

Trade and other payables: Current	2024 £m	2023 £m
Trade payables	**92.3**	99.3
Contingent consideration payable	**3.2**	–
Amounts owed to joint ventures	**0.2**	–
Other payables	**161.3**	140.0
Accruals	**338.0**	318.7
	595.0	558.0

Other payables include sales and other direct taxes, payroll taxes, salaries and other non-trade payables.

The average credit period taken for trade purchases is 19 days (2023: 20 days).

Trade and other payables: Non-current	2024 £m	2023 £m
Contingent consideration payable	**6.2**	–
Other payables	**15.3**	9.2
	21.5	9.2

Notes to the Consolidated Financial Statements continued

23. Leases

Management estimates that the fair value of the Group's lease obligations approximates their carrying amount. The Group uses leases in the delivery of its contractual obligations and the services required to support the delivery of those contracts, including administrative functions. There are no material future cash outflows relating to leases in place as at 31 December 2024 that are not reflected in the minimum lease payments disclosed below and the Group does not have any leases to which it is contracted but which are not yet reflected in the minimum lease payments. Additionally, the Group does not have any material leases where payments are variable. The Group has a significant number of leases which include either termination or extension options, or both. Included in amounts payable under leases below are only those amounts which reflect Management's view of the reasonably certain lease term in line with current operational requirements.

The total cash outflow for leases, excluding short-term leases and low-value leases, in the year was £157.3m (2023: £137.5m). This is presented in the Consolidated Cash Flow Statement as £137.4m (2023: £124.4m) relating to the capital element of the lease liability payments, with the remaining balance of £19.9m (2023: £13.1m) presented within interest paid.

Amounts payable under leases	Minimum lease payments 2024 £m	Minimum lease payments 2023 £m
Within one year	**177.8**	149.0
Between one and five years	**306.8**	277.1
After five years	**75.3**	45.8
	559.9	471.9
Less: future finance charges	**(29.9)**	(18.2)
Present value of lease obligations	**530.0**	453.7
Less: amount due for settlement within one year (shown under current liabilities)	**(168.3)**	(140.0)
Amount due for settlement after one year	**361.7**	313.7

The following amounts are included in the Group's Consolidated Financial Statements in respect of its leases:

	Note	2024 £m	2023 £m
Additions to right of use assets	18	**235.3**	148.5
Depreciation charge on right of use assets	18	**(141.5)**	(125.4)
Net impairment on right of use assets	18	**(0.2)**	(0.7)
Net disposal of right of use assets	18	**(19.8)**	(13.1)
Net exchange differences on right of use assets	18	**(1.5)**	(2.4)
Carrying amount of right of use assets	18	**514.9**	440.9
Current lease liabilities	23	**168.3**	140.0
Non-current lease liabilities	23	**361.7**	313.7
Capital element of lease repayments		**(137.4)**	(124.4)
Interest expense on lease liabilities	12	**(19.9)**	(13.1)
Profit/(loss) on early termination of leases	9	**(0.1)**	(0.6)
Expenses relating to short term or low value leases	9	**(3.0)**	(3.7)

Notes to the Consolidated Financial Statements continued

24. Loans

	Total 2024 £m	Total 2023 £m
Loans are repayable as follows:		
On demand or within one year	**38.8**	51.0
Between one and two years	**–**	38.5
Between two and five years	**122.2**	61.9
After five years	**115.4**	54.8
	276.4	206.2
Less: amount due for settlement within one year (shown in current liabilities)	**(38.8)**	(51.0)
Amount due for settlement after one year	**237.6**	155.2

Fair value of loans

	Carrying amount 2024 £m	Fair value 2024 £m	Carrying amount 2023 £m	Fair value 2023 £m
Loans	**276.4**	**263.2**	206.2	189.2

The fair values are based on cash flows discounted using a market rate appropriate to the loan. All loans are held at amortised cost.

Loans subject to covenant

The principal financial covenant ratios are consistent across the US private placement loan notes and revolving credit facility, with a maximum Consolidated Total Net Borrowings (CTNB) to covenant EBITDA of 3.5 times and minimum covenant EBITDA to covenant net finance costs of 3.0 times, tested semi-annually. A reconciliation of the basis of calculation is set out in the additional information section on page 211. As set out in the going concern section in note 2 there are no indicators that the Group will have difficulty complying with the covenants for at least the next 12 months.

Analysis of Net Debt

The analysis below provides a reconciliation between the opening and closing positions in the balance sheet for liabilities arising from financing activities together with movements in derivatives relating to the items included in Net Debt. There were no changes in fair value noted in either the current or prior year.

	At 1 January 2024 £m	Cash flow £m	Acquisitions[1] £m	Exchange differences £m	Non-cash movements[2] £m	At 31 December 2024 £m
Loans payable	**(206.2)**	**(65.4)**	**–**	**(4.8)**	**0.1**	**(276.3)**
Lease obligations	**(453.7)**	**137.4**	**(1.5)**	**1.5**	**(213.7)**	**(530.0)**
Liabilities arising from financing activities	**(659.9)**	**72.0**	**(1.5)**	**(3.3)**	**(213.6)**	**(806.3)**
Cash and cash equivalents	**94.4**	**89.7**	**–**	**(1.1)**	**–**	**183.0**
Derivatives relating to net debt	**3.1**	**–**	**–**	**(9.5)**	**–**	**(6.4)**
Net debt	**(562.4)**	**161.7**	**(1.5)**	**(13.9)**	**(213.6)**	**(629.7)**

1. Acquisitions represent the net cash/(debt) acquired on acquisition.
2. Non-cash movements on loans payable relate to movement in capitalised finance costs in the year. For lease obligations non-cash movements relate to the net impact of entering into new leases and exiting certain leases before the end of the lease term without payment of a cash termination cost.

	At 1 January 2023 £m	Cash flow £m	Acquisitions1 £m	Exchange differences £m	Non-cash movements2 £m	At 31 December 2023 £m
Loans payable	(262.9)	44.5	–	13.1	(0.9)	(206.2)
Lease obligations	(446.0)	124.4	–	3.1	(135.2)	(453.7)
Liabilities arising from financing activities	(708.9)	168.9	–	16.2	(136.1)	(659.9)
Cash and cash equivalents	57.2	39.8	–	(2.6)	–	94.4
Derivatives relating to net debt	1.8	–	–	1.3	–	3.1
Net debt	(649.9)	208.7	–	14.9	(136.1)	(562.4)

1. Acquisitions represent the net cash/(debt) acquired on acquisition.
2. Non-cash movements relate to the net impact of entering into new leases and exiting certain leases before the end of the lease term without payment of a cash termination cost.

Notes to the Consolidated Financial Statements continued

25. Provisions

	Employee related £m	Property £m	Contract £m	Claims £m	Other £m	Total £m
At 1 January 2024	83.9	23.2	16.7	25.6	20.9	170.3
Arising on acquisition	–	–	0.3	–	26.7	27.0
Charge capitalised in right of use assets	–	2.0	–	–	–	2.0
Charged to income statement	19.7	2.3	6.1	9.2	10.8	48.1
Released to income statement	(3.4)	(5.7)	(0.4)	(4.9)	(8.0)	(22.4)
Utilised during the year	(15.7)	(2.1)	(2.7)	(4.4)	(3.9)	(28.8)
Exchange differences	(4.7)	0.1	(0.2)	–	(1.1)	(5.9)
At 31 December 2024	79.8	19.8	19.8	25.5	45.4	190.3
Analysed as:						
Current	46.9	5.5	8.7	5.5	42.3	108.9
Non-current	32.9	14.3	11.1	20.0	3.1	81.4
	79.8	19.8	19.8	25.5	45.4	190.3

Employee-related provisions include amounts for long-term service awards and terminal gratuity liabilities which have been accrued and are based on contractual entitlement, together with an estimate of the probabilities that employees will stay until rewards fall due and receive all relevant amounts. The provisions will be utilised over various periods driven by attrition and demobilisation of contracts, the timing of which is uncertain. There are also amounts included in relation to restructuring.

The majority of property provisions relate to leased properties and are associated with the requirement to return properties to either their original condition, or to enact specific improvement activities in advance of exiting the lease. Dilapidations associated with leased properties are held as a provision until such time as they fall due, with the longest running lease ending in March 2037.

A contract provision is recorded when a contract is deemed to be unprofitable and therefore is considered onerous. The present value of the estimated future cash outflow required to settle the contract obligations as they fall due over the respective contracts has been used in determining the provision.

Claims provisions relate to claims made against the Group. These claims are varied in nature, although they typically come from either the Group's service users, claimants for vehicle-related incidents or the Group's employees. While there is some level of judgement on the amount to be recorded, in almost all instances the variance to the actual claim paid out will not individually be material; however, the timing of when the claims are reported and settled is less certain as a process needs to be followed prior to the amounts being paid.

Included within other provisions:

- £20.5m relates to legal and other costs that the Group expects to incur over an extended period, in respect of past events for which a provision has been recorded, none of which are individually material.
- £24.9m relates to a provision in respect of a contingent liability recognised on the acquisition of EHC. The Directors have assessed that a present obligation exists in respect of the treatment of certain historic transactions and have measured the fair value of these as required by IFRS 3 Business Combinations notwithstanding that the outflow of economic benefits is not probable. This provision will be reassessed at each reporting date as the risk associated with the contingent liability in due course expires.

Individual provisions are only discounted where the impact is assessed to be significant. Currently, the effect of discounting is not material.

Notes to the Consolidated Financial Statements continued

26. Capital and other commitments

Capital expenditure contracted but not provided	2024 £m	2023 £m
Property, plant and equipment	**3.3**	9.3
Intangible assets	**0.9**	0.4

27. Contingent liabilities

The Group and its subsidiaries have provided certain guarantees and indemnities in respect of performance and other bonds, issued by its banks on its behalf in the ordinary course of business. The total commitment outstanding as at 31 December 2024 was £278.4m (2023: £214.4m).

The Group has guaranteed overdrafts, finance leases and bonding facilities of its joint ventures and associates up to a maximum value of £5.7m (2023: £5.7m). The actual commitment outstanding at 31 December 2024 was £5.7m (2023: £5.7m).

The Group has previously disclosed a contingent liability in respect of damages for alleged losses as a result of the reduction in Serco's share price in 2013. The claim has now been resolved with no material impact to the Group's financial statements.

The Group is also aware of other claims and potential claims which involve or may involve legal proceedings against the Group although the timing of settlement of these claims remains uncertain. The Directors are of the opinion, having regard to legal advice received and the Group's insurance arrangements, that it is unlikely that these matters will, in aggregate, have a material effect on the Group's financial position.

28. Financial risk management

28(a) Fair value of financial instruments

(i) Fair value hierarchy

The vast majority of financial instruments are held at amortised cost. The classification of the fair value measurement falls into three levels, based on the degree to which the fair value is observable. The levels are as follows:

Level 1: Inputs derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs that are observable for the asset or liability, either directly or indirectly, other than quoted prices included within Level 1.

Level 3: Inputs are unobservable inputs for the asset or liability.

Based on the above, the derivative financial instruments held by the Group at 31 December 2024 and the comparison fair values for loans are all considered to fall into Level 2. The contingent consideration and contingent liabilities on acquisition are considered to fall into Level 3. Market prices are sourced from Bloomberg and third party valuations. The valuation models incorporate various inputs including foreign exchange spot and forward rates and interest rate curves.

There have been no transfers between levels in the year.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The Group held the following financial instruments which fall within the scope of IFRS 9 Financial Instruments at 31 December:

	Carrying amount (measurement basis)		Comparison fair value	Carrying amount (measurement basis)		Comparison fair value
	Amortised cost £m 2024	Fair value £m 2024	£m 2024	Amortised cost £m 2023	Fair value £m 2023	£m 2023
Financial assets – current						
Cash and bank balances[1]	**183.0**	**–**	**183.0**	94.4	–	94.4
Derivatives designated as FVTPL (Level 2)						
Forward foreign exchange contracts	**–**	**0.8**	**0.8**	–	4.8	4.8
Derivative instruments in designated hedge accounting relationships (Level 2)						
Forward foreign exchange contracts	**–**	**–**	**–**	–	0.1	0.1
Receivables						
Trade receivables (note 20)[1]	**228.2**	**–**	**228.2**	219.1	–	219.1
Amounts owed by joint ventures and associates (note 20)	**–**	**–**	**–**	1.1	–	1.1
Financial liabilities – current						
Derivatives designated as FVTPL (Level 2)						
Forward foreign exchange contracts	**–**	**(6.4)**	**(6.4)**	–	(1.6)	(1.6)
Derivative instruments in designated hedge accounting relationships (Level 2)						
Forward foreign exchange contracts	**–**	**(0.2)**	**(0.2)**	–	(0.1)	(0.1)
Financial liabilities at fair value (Level 3)						
Contingent consideration (note 22)	**–**	**(3.2)**	**(3.2)**	–	–	–
Contingent liabilities on acquisition (note 25)	**–**	**(24.9)**	**(24.9)**	–	–	–
Financial liabilities at amortised cost						
Trade payables (note 23)[1]	**(92.3)**	**–**	**(92.3)**	(99.3)	–	(99.3)
Loans (note 24)	**(38.8)**	**–**	**(38.0)**	(51.0)	–	(50.7)
Financial liabilities – non-current						
Derivatives designated as FVTPL (Level 2)						
Forward foreign exchange contracts	**–**	**(0.3)**	**(0.3)**	–	–	–
Derivative instruments in designated hedge accounting relationships (Level 2)						
Forward foreign exchange contracts	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
Financial liabilities at fair value (Level 3)						
Contingent consideration (note 22)	**–**	**(6.2)**	**(6.2)**	–	–	–
Financial liabilities at amortised cost						
Loans (note 24)	**(237.6)**	**–**	**(225.2)**	(155.2)	–	(138.5)

1. Management estimate that the carrying amounts of cash, trade receivables and trade payables approximate to their fair value due to the short-term maturity of these instruments.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

The following tables show the development of financial assets and liabilities categorised as level 3:

	At 1 January 2024 £m	Acquisitions £m	Acquisitions - revision of provisional fair value estimates £m	Unwind of discount £m	Cash Settlement £m	Exchange differences £m	At 31 December 2024 £m
Financial liabilities – current							
Contingent consideration	–	(2.4)	–	(0.8)	–	–	(3.2)
Contingent liabilities on acquisition	–	(26.7)	–	–	1.0	0.7	(24.9)
Financial liabilities – non-current							
Contingent consideration	–	(6.2)	–	(0.1)	–	–	(6.2)

	At 1 January 2023 £m	Acquisitions £m	Acquisitions - revision of provisional fair value estimates £m	Unwind of discount £m	Cash Settlement £m	Exchange differences £m	At 31 December 2023 £m
Financial liabilities – current							
Contingent consideration	(11.2)	–	1.0	–	10.2		–

The fair values of loans and lease obligations are based on cash flows discounted using a rate based on the borrowing rate associated with the liability.

The fair value of derivatives is calculated using a discounted cash flow approach applying discount factors derived from observable market data to actual and estimated future cash flows. Credit risk is considered in the calculation of these fair values.

The fair value of the contingent consideration is estimated by calculating the present value of the future expected cash flows.

(ii) Fair value of derivative financial instruments

The fair value of derivative financial instruments results in a net liability of £6.4m (2023: £3.0m) comprising current assets of £0.8m (2023: £4.9m), current liabilities of £6.6m (2023: £1.7m) and non-current liabilities of 0.6m (2023: £0.2m).

	1 January 2024 £m	Movement in fair value of derivatives designated in hedge accounting relationships £m	Movement in fair value of derivatives not designated in hedge accounting relationships £m	31 December 2024 £m
Forward foreign exchange contracts	**3.0**	**(0.4)**	**(9.0)**	**(6.4)**

	1 January 2023 £m	Movement in fair value of derivatives designated in hedge accounting relationships £m	Movement in fair value of derivatives not designated in hedge accounting relationships £m	31 December 2023 £m
Forward foreign exchange contracts	2.5	(0.8)	1.3	3.0

The fair value of financial liabilities recognised at fair value through profit and loss is £6.8m (2023: £1.7m) and relates to derivatives that are not designated in hedge accounting relationships. The fair value of the derivatives and their credit risk adjusted fair value are not materially different and are approximately equal to the amount contractually payable at maturity due to the short tenure of the instruments.

28 (b) Financial risk

The Board is ultimately responsible for ensuring that financial and non-financial risks are monitored and managed within acceptable and known parameters. The Board delegates authority to the Executive team to manage financial risks. The Group's Treasury function acts as a service centre and operates within clearly defined guidelines and policies that are approved by the Board. The guidelines and policies define the financial risks to be managed, specify the objectives in managing these risks, delegate responsibilities to those managing the risks and establish a control framework to regulate treasury activities to minimise operational risk.

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

28 (c) Liquidity risk

(i) Credit facilities

The Group maintains committed credit facilities to ensure that it has sufficient liquidity to maintain its ongoing operations. As at 31 December, the Group's committed bank credit facilities and corresponding borrowings were as follows:

	Currency	Amount 2024 £m	Drawn 2024 £m	Utilised for bonding facility 2024 £m	Total facility available 2024 £m
Syndicated revolving credit facility	**Sterling**	**350.0**	**–**	**–**	**350.0**

	Currency	Amount 2023 £m	Drawn 2023 £m	Utilised for bonding facility 2023 £m	Total facility available 2023 £m
Syndicated revolving credit facility	Sterling	350.0	–	–	350.0

The Group has available a revolving credit facility with a maximum capacity of £350.0m and a five year term ending November 2027. In addition, the facility provides an accordion facility of £100m which is uncommitted. At 31 December 2024, the Group had £279.2m (2023: £208.8m) of US private placement loan notes which will be repaid as bullet repayments between October 2025 and February 2034.

(ii) Maturity of financial liabilities

The Group's financial liabilities will be settled on both a net and a gross basis over the remaining period between the balance sheet date and the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay.

At 31 December 2024	Note	On demand or within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Trade payables	22	**92.3**	**–**	**–**	**–**	**92.3**
Obligations under leases[1]	23	**177.8**	**129.4**	**177.4**	**75.3**	**559.9**
Loans[2]	24	**39.9**	**–**	**123.7**	**115.6**	**279.2**
Future loan interest		**13.4**	**12.3**	**28.8**	**19.3**	**73.8**
Derivatives settled on gross basis:						
Outflow		**971.5**	**9.5**	**26.7**	**0.9**	**1,008.6**
Inflow		**(965.8)**	**(9.4)**	**(26.2)**	**(0.8)**	**(1,002.2)**
		329.1	**141.8**	**330.4**	**210.3**	**1,011.6**

1. The present value of lease obligations is £530.0m after deducting £29.9m of future finance costs.
2. Loans are stated gross of capitalised finance costs.

At 31 December 2023	Note	On demand or within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Trade payables	22	99.3	–	–	–	99.3
Obligations under leases[1]	23	149.0	119.0	158.1	45.8	471.9
Loans[2]	24	51.9	39.2	62.8	54.9	208.8
Future loan interest		6.5	5.4	10.5	6.0	28.4
Derivatives settled on gross basis:						
Outflow		1,094.7	0.7	–	–	1,095.4
Inflow		(1,097.9)	(0.4)	–	–	(1,098.3)
		303.5	163.9	231.4	106.7	805.5

1. The present value of lease obligations is £453.7m after deducting £18.2m of future finance costs.
2. Loans are stated gross of capitalised finance costs.

Gross cash flows in the table above relating to forward foreign exchange contracts total £965.8m (inflow) and £971.5m (outflow) on demand or within one year (2023: £1,097.9m (inflow) and £1,094.7m (outflow) on demand or within one year).

Notes to the Consolidated Financial Statements continued

28 (d) Foreign exchange risk

(i) Transactional

It is the Group's policy to hedge material transactional exposures using forward foreign exchange contracts to fix the functional currency value of non-functional currency cash flows. At 31 December 2024, there were no material unhedged non-functional currency monetary assets or liabilities, firm commitments, or highly probable forecast transactions.

(ii) Translational

Where possible the Group will raise external funding to match the currency profile of its foreign operations, in order to mitigate translation exposure. If matched funding is not possible, currency derivatives are used to protect against movements in foreign exchange but are not designated in hedge accounting relationships. These are settled gross and are shown in 28 (c) (ii) maturity of financial liabilities.

(iii) Hedge accounting

For the purposes of hedge accounting, hedges are classified as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Details of the Group's accounting policies in relation to derivatives qualifying for hedge accounting under IFRS 9 Financial Instruments can be seen in note 2.

The Group holds a number of forward foreign exchange contracts designated as cash flow hedges. These derivatives are hedging highly probable forecast foreign currency trade payments in the UK business. The net notional amounts are summarised by currency below:

	2024 £m	2023 £m
Sterling	**9.4**	(15.1)
US Dollar	**(16.4)**	0.9
Indian Rupee	**7.0**	14.2

All derivatives designated as cash flow hedges are highly effective and as at 31 December 2024, £0.4m net fair value loss (2023: £0.9m net fair value loss) has been deferred in the hedging reserve. During the year to 31 December 2024, £0.4m of net fair value loss (2023: £0.6m loss) was transferred to the hedging reserve and £0.1m fair value loss (2023: £0.2m gain) was reclassified to the Consolidated Income Statement.

(iv) Currency sensitivity

The Group's currency exposures in respect of monetary items at 31 December 2024 that result in net currency gains and losses in the income statement and equity arise principally from movement in US Dollar and Indian Rupee exchange rates. The impact of a 10% movement is summarised below:

	Pre-tax profits gain/(loss) 2024 £m	Equity gain/ (loss) 2024 £m	Pre-tax profits gain/(loss) 2023 £m	Equity gain/ (loss) 2023 £m
US Dollar	**(0.9)**	**(1.7)**	(1.0)	0.1
Euro	**(0.1)**	**–**	–	–
Indian Rupee	**–**	**0.7**	–	1.4
	(1.0)	**(1.0)**	(1.0)	1.5

28 (e) Interest rate risk

The Group's policy is to minimise the impact of interest rate volatility on earnings to provide an appropriate level of certainty to cost of funds. Exposure to interest rate risk arises principally on changes to US Dollar and Sterling interest rates.

(i) Interest rate management

An analysis of financial assets and liabilities exposed to interest rate risk is set out below:

Financial assets	Floating rate 2024 £m	Fixed rate 2024 £m	Weighted average interest rate 2024 %	Floating rate 2023 £m	Fixed rate 2023 £m	Weighted average interest rate 2023 %
Cash and cash equivalents	**183.0**	**–**	**4.1**	94.4	–	4.3

Notes to the Consolidated Financial Statements continued

28. Financial risk management continued

Financial assets	Floating rate 2024 £m	Fixed rate 2024 £m	Weighted average interest rate 2024 %	Floating rate 2023 £m	Fixed rate 2023 £m	Weighted average interest rate 2023 %
US Dollar loans	–	**279.2**	**4.9**	–	208.8	4.0
	–	**279.2**	–	–	208.8	–

Exposure to interest rate fluctuations is mitigated through the issuance of fixed rate debt. The rates on the US Dollar loans are fixed for the term of each loan. The loans will be repaid as bullet repayments between October 2025 and February 2034. Excluded from the above analysis is £530.0m (2023: £453.7m) of amounts payable under leases, which are subject to fixed rates of interest.

(ii) Interest rate sensitivity

The effect of a 100 basis point increase in Sterling Overnight Index Average (SONIA) rates on the net financial liability position (excluding leases) at the balance sheet date, with all other variables held constant, would have resulted in a £1.8m increase in pre-tax profit for the year to 31 December 2024 (2023: increase of £0.9m).

28 (f) Credit risk

The Group's principal financial assets are cash and cash equivalents, contract assets, and trade and other receivables.

Credit risk is the risk that a counterparty could default on its contractual obligations. In this regard, the Group's principal exposure is to cash and cash equivalents, derivative transactions and trade receivables.

The Group's contract asset and trade receivables credit risk is relatively low given that a high proportion of our customer base are government bodies with strong sovereign, or sovereign-like, credit ratings. However, where the assessed credit worthiness of a customer, government or non-government, falls below that considered acceptable, appropriate measures are taken to mitigate against the risk of contractual default using instruments such as credit guarantees.

The Group has not recorded any impairments related to contract assets or trade and other receivables due to credit risk during the year ended 31 December 2024 (2023: none).

The Group's Treasury function primarily transacts with counterparties that comply with Board policy. Where exceptions are approved due to local requirements, the Group's exposures are monitored and kept to an immaterial level. The credit risk is measured by way of a counterparty credit rating from any two recognised rating agencies. Pre-approved limits are set based on a rating matrix and exposures monitored accordingly. The Group also employs the use of set-off rights in some agreements.

The Group's policy is to provide guarantees for joint ventures and associates only to the relevant proportion of support provided by the partners. At 31 December 2024, the Group has issued guarantees in respect of certain joint ventures and associates as per note 27.

28 (g) Capital risk

Management's objective is to maintain a capital structure that supports the Group's strategic objectives. The Group's target leverage is 1x-2x net debt to EBITDA which enables execution of the Board's capital allocation priorities and includes but is not limited to supporting organic growth, reshaping the portfolio through mergers, acquisitions and disposals, optimising shareholder returns and maintaining an implied investment grade credit rating. This strategy is unchanged from the prior year.

Management reviews and approves, at least annually, a Treasury policy document which covers, inter alia, funding and liquidity risk, capital structure and risk management. This policy details targets for committed funding headroom, diversification of committed funding and debt maturity profile.

The Group plans to maintain sufficient funds and distributable reserves to allow payments of projected dividends to shareholders.

The following table summarises the capital of the Group:

	2024 £m	2023 £m
Cash and cash equivalents	**(183.0)**	(94.4)
Loans	**276.4**	206.2
Obligations under leases	**530.0**	453.7
Equity	**842.5**	1,033.7
Capital	**1,465.9**	1,599.2

Notes to the Consolidated Financial Statements continued

29. Retirement benefit schemes

29 (a) Defined benefit schemes

(i) Characteristics and risks

The Group contributes to defined benefit schemes for qualifying employees of its subsidiaries. The schemes in which the Group participates are categorised as follows:

Non-contract specific schemes

These schemes do not relate to any specific contract and represent 99.6% (2023: 99.6%) of the Group's pension assets and 99.7% (2023: 99.6%) of the Group's pension liabilities. They consist of eight pre-funded defined benefit schemes and one unfunded defined benefit scheme.

The two UK funded schemes are Serco Pension and Life Assurance Scheme (SPLAS) and a non-contract specific section of the Railways Pension Scheme (RPS). The funding policy for the UK pre-funded schemes is to contribute amounts which will achieve 100% funding on a projected salary basis based on regular actuarial valuations.

There are three non-UK schemes based in Switzerland and are available for the employees of OXZ Holdings AG (ORS) and its subsidiaries which are part of a collective foundation. The occupational benefits fund commission defines the contributions which are shared equally between the employer and the employees.

The Group has obligations in three funded public sector schemes in Australia and there is an unfunded scheme in Germany where the liabilities arising are recognised in full at £0.2m (2023: £0.2m).

Contract specific scheme

There is one scheme which represents 0.4% (2023: 0.4%) of the Group's pension assets and 0.3% (2023: 0.4%) of the Group's pension liabilities.

The Group makes contributions under Admitted Body status for one section of the Local Government Pension Scheme for the period to the end of the relevant customer contract. The Group is required to pay regular contributions as decided by the scheme actuary and as detailed in the scheme's schedule of contributions. In addition, the Group may be required to pay some or all of any deficit (as determined by the scheme actuary) that is remaining at the end of the contract.

In respect of Local Government Pension Schemes, as there is a residual liability, the Group recognises a sufficient level of provision in these financial statements based on the IAS 19 Employee Benefits valuation at the reporting date and contractual obligations.

Joint venture scheme

Under contractual arrangements, the Group's joint venture Merseyrail Services Holding Company Limited (Merseyrail) sponsors a section of the RPS, paying contributions in accordance with a Schedule of Contributions. There is no residual liability to fund any deficit at the end of the franchise period and there is no pension obligation on the balance sheet of the Group or Merseyrail. The costs associated with the scheme are included in profit from operations for Merseyrail shown in note 5 and are reflected in the share of results in joint ventures and associates net of interest and tax in the income statement. Therefore the disclosures in this note do not include Merseyrail.

Scheme funding

The normal employer contributions (excluding SPLAS deficit recovery payments) expected to be paid during the financial year for all schemes ending 31 December 2025 are £10.8m (31 December 2024: £10.7m).

The assets of funded schemes are held independently of the Group's assets in separate trustee administered schemes. The trustees of each pension scheme are required by law to act in the interest of the scheme and of all relevant stakeholders in the scheme. The trustees of the pension schemes are responsible for the investment policy with regard to the assets of the scheme. The Group's schemes are valued by independent actuaries annually using the projected unit credit actuarial cost method for accounting purposes. This reflects service rendered by employees to the date of valuation and incorporates actuarial assumptions including discount rates to determine the present value of benefits, inflation assumptions, projected rates of salary growth and life expectancy of pension plan members. Discount rates are based on the market yields of high-quality corporate bonds in the country concerned. Net pension assets and liabilities in the different defined benefit schemes are not offset.

The schemes typically expose the Group to risks that impact the financial performance and position of the Group and may affect the amount and timing of future cash flows. The key risks are set out below:

- Investment risk. The schemes hold assets with which to discharge the future liabilities of these schemes. Any decline in the value of these investments directly impacts on the ability of the schemes to meet its commitments and could require the Group to fund this shortfall in future years. SPLAS's investment strategy aims to reduce volatility risk by better matching assets to liabilities and is based on the actuarial funding basis. 47% of the scheme's assets are annuity policies, which result in an insurer funding the future benefit payments to the relevant members and therefore eliminate the risk of changes in the future value of the benefits to the scheme. The investment strategy outside of the annuity has a benchmark allocation of 45% Liability Driven Investments (LDIs) and 28% Private Debt. The remaining 27% is split between short-dated credit, asset backed securities, and buy and maintain credit . The main asset classes that make up the LDI investments are gilts and corporate bonds with inflation and interest swap overlays and are therefore linked to the key drivers of the scheme's liabilities.The Group and trustee monitor the allocation over time, as the actual allocation will vary from above due to market movements, changing collateral requirements and cashflows for illiquid assets.
- Interest risk. The present values of the defined benefit schemes' liabilities are calculated using a discount rate determined by reference to high-quality corporate bond yields and therefore a decrease in interest rates will increase the schemes' liabilities. This will be partially offset by an increase in the fair value of the schemes' debt investments.

Notes to the Consolidated Financial Statements continued

(i) Characteristics and risks continued

- Longevity risk. The present values of the defined benefit schemes' liabilities are calculated by reference to the best estimate of the mortality of the schemes' participants, both during and after their employment. An increase in the life expectancy of the schemes' participants will increase the schemes' liabilities.
- Inflation risk. The present values of the defined benefit schemes' liabilities are calculated to include the effect of inflation on future purchasing power based on estimations around inflation rates. Higher inflation will trigger larger annual benefits for the members and an increase in expected future inflation rates will increase the schemes' liabilities.
- Salary risk. The present values of the defined benefit schemes' liabilities are calculated by reference to the future salaries of the schemes' participants, as such, an increase in the salary of the schemes' participants will increase the schemes' liabilities.

Serco Pension and Life Assurance Scheme (SPLAS)

The largest non-contract specific scheme is SPLAS. The most recent full actuarial valuation of this scheme was undertaken as at 5 April 2021 and completed in May 2022. The actuarially assessed deficit for funding purposes at this time was £70.0m. The increase to the actuarially assessed deficit for funding purposes was as a result of the RPI reform announced by the UK government to take effect from 2030. The full actuarial valuation of this scheme for 2024 is expected to complete in 2025.

Pension obligations are valued separately for accounting and funding purposes and there is often a material difference between these valuations. As at 31 December 2024, the estimated actuarial deficit on a funding basis for SPLAS was £52m (2023: £23m) whereas the accounting valuation resulted in an asset of £12.8m (2023: £30.5m). The primary reason a difference arises is that IAS 19 accounting requires the valuation to be performed on the basis of a best estimate whereas the funding valuation used by the trustees uses more prudent assumptions.

The schedule of contributions for SPLAS was agreed during 2022, with 44.3% of pensionable salaries for active employees due to be paid in regular contributions from 1 June 2022. The schedule of contributions also determined that additional shortfall contributions were required and the Group has committed to make deficit recovery payments of £6.6m per year by 31 March from 2022 to 2030. An annual assessment of the shortfall is performed and if the scheme is determined to be in a surplus position the shortfall contributions due by 31 March are deferred to the following year. If the shortfall calculated in the annual assessment is less than the cumulative shortfall due to date, the contribution is capped at the shortfall calculation and any excess is carried forward to the next year.

(ii) Events in the year

Market conditions and assumption changes

Serco's pension schemes have an accounting surplus before tax of £4.0m (2023: £24.5m). The decrease in the net retirement benefit asset of £20.5m is primarily due to market conditions and changes to assumptions on the two UK funded schemes, SPLAS and RPS. Higher yields compared to 2023 resulted in the majority of the £102.6m fall in the fair value of UK schemes assets . The Group's UK schemes liabilities reduced by £79.9m primarily due to the higher yields increasing discount rates, offset by the Group refining the AA corporate bonds used to derive the discount rates. This adjustment resulted in a reduction of approximately 20 basis points to the discount rate compared to 2023. If the 2023 basis was applied, the present value of scheme liabilities would have been £19.2m lower.

Virgin Media case

In June 2023, the High Court made a ruling in the case Virgin Media Ltd v NTL Pension Trustees II Limited which rendered amendments to the Virgin Media scheme invalid because they were not accompanied by the correct Section 37 actuarial confirmation, even if the amendment did not affect benefits (the ruling related to Section 37 of the 1993 Pensions Act and the correct interpretation of historic legislation governing the amendment of contracted-out DB schemes). In July 2024, the Court of Appeal upheld the original High Court judgment which could have wider ranging implications to other schemes. There is still uncertainty around any potential overriding legislation or regulation from the Department of Work and Pensions (DWP) which might validate any amendment which is held to be void under the judgement.

The Group had been waiting for the Court of Appeal's decision before investigating any possible implications for the Group's pension schemes. The trustees of SPLAS have taken initial legal advice on the matter and the review of some historic amendments is still being undertaken by the trustees and its legal advisors. Therefore, the amount of any potential impact on the schemes' defined benefit obligation cannot yet be measured with sufficient reliability and consequently no allowance for this has been made in calculating the defined benefit obligations at the reporting date. No material impact is expected from the Group's other UK schemes following discussions with Trustees where no issues has been noted in the review of deeds.

Notes to the Consolidated Financial Statements continued

(iii) Values recognised in total comprehensive income in the year

The amounts recognised in the Consolidated Financial Statements for the year are analysed as follows:

Recognised in the income statement	2024 £m	2023 £m
Current service cost – employer	7.1	5.3
Administrative expenses and taxes	1.7	2.0
Recognised in arriving at operating profit	**8.8**	**7.3**
Interest income on scheme assets – employer	(47.5)	(50.4)
Interest cost on scheme liabilities – employer	45.6	47.3
Finance income	**(1.9)**	**(3.1)**
Total recognised in the income statement	**6.9**	**4.2**

Included within the SOCI	2024 £m	2023 £m
Actual return on scheme assets	(60.7)	41.4
Less: interest income on scheme assets	(47.4)	(50.4)
Net return on scheme assets	(108.1)	(9.0)
Effect of changes in demographic assumptions	2.1	24.3
Effect of changes in financial assumptions	63.9	(22.7)
Effect of experience adjustments	3.4	(21.7)
Remeasurements	**(38.7)**	**(29.1)**
Change in franchise adjustment	–	(1.8)
Change in members' share	–	(1.2)
Actuarial loss on reimbursable rights	**–**	**(3.0)**
Total recognised in the SOCI	**(38.7)**	**(32.1)**

(iv) Balance sheet values

The assets and liabilities of the schemes at 31 December are:

	Fair value of scheme assets 2024 £m	Present value of scheme liabilities 2024 £m	Surplus/(deficit) 2024 £m	Fair value of scheme assets 2023 £m	Present value of scheme liabilities 2023 £m	Surplus/(deficit) 2023 £m
SPLAS[1]	822.8	(810.0)	12.8	917.0	(886.5)	30.5
ORS	83.2	(93.9)	(10.7)	68.5	(80.5)	(12.0)
RPS	58.4	(57.4)	1.0	66.7	(60.8)	5.9
Other Schemes in surplus	4.0	(2.6)	1.4	3.8	(2.8)	1.0
Other schemes in deficit	1.1	(1.6)	(0.5)	1.1	(2.0)	(0.9)
Net retirement benefit asset[2]	**969.5**	**(965.5)**	**4.0**	**1,057.1**	**(1,032.6)**	**24.5**

1. The SPLAS Trust Deed gives the Group an unconditional right to a refund of surplus assets assuming the gradual settlement of plan liabilities over time until all members have left the plan. Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as economic benefits are available to the Group either in the form of future refunds or in the form of possible reductions in future contributions.
2. The net retirement benefit asset (before tax) is split in the balance sheet between schemes in surplus totalling £15.2m (2023: £37.4m) reported in retirement benefit assets and schemes in deficit totalling £11.2m (2023: £12.9m) reported in retirement benefit obligations.

Notes to the Consolidated Financial Statements continued

(v) Pension asset values

The schemes asset values at 31 December are:

Scheme assets at fair value	2024 £m	Restated[1] 2023 £m
Fair value of scheme assets - SPLAS		
Buy and maintain credit	**17.8**	55.8
Short-dated credit	**31.9**	30.5
Asset backed securities	**38.0**	12.0
LDIs	**181.7**	235.8
Private debt	**143.5**	145.0
Amounts held by insurance companies	**385.8**	430.3
Cash and other	**24.1**	7.6
Fair value of scheme assets - SPLAS	**822.8**	**917.0**
Pooled investment funds - RPS	**58.4**	66.7
Amounts held by insurance companies - ORS	**83.2**	68.5
Fair value of assets - Other schemes	**5.1**	4.9
Total fair value of scheme assets[2]	**969.5**	**1,057.1**

1. The classification of scheme assets in 2023 have been updated to separately identify the assets relating to the SPLAS scheme and other schemes the Group participates in. In addition, the assets of the SPLAS scheme have been realigned to the investment strategy as set out in the investment risk section for SPLAS on page 185. There has been no change to the value of the assets in the prior year.
2. There are no investments in the Group's own transferable financial instruments held as pension assets. No property pension assets are occupied, or other pension assets used by the Group.

As required by IAS 19 Employee Benefits, the Group has considered the extent to which the pension plan assets should be classified in accordance with the fair value hierarchy of IFRS 13 Fair Value Measurement.

- Buy and maintain credit are valued at fair value which is typically the Net Asset Value provided by the fund administrator and consist of level 2 investments in bonds.
- Short-dated credit and Asset backed securities are value at fair value which is typically the net asset value provided by the fund administrator and consist of level 2 investments in pooled investment vehicles.
- LDIs are valued at fair value which is typically the Net Asset Value provided by the fund administrator and consist of level 2 investments in bonds and derivatives.
- Private debt funds have no observable market price and the valuation is based on the Net Asset Value provided by the fund administrator at 30 September adjusted for actual cash flows in the period to 31 December. Therefore, these investments are classified as level 3.
- Pooled investment funds - Railway Pension Scheme are unitised fund investments in the non-contract specific section of the Railways Pension Scheme and are Level 2 or Level 3 based on the Net Asset Value provided by the fund administrator.
- Amounts held by insurance companies are valued at the equal and opposite of the defined benefit obligations that they insure and are classified as level 3.
- Fair value of assets - Other schemes include investments in equity and bonds classified as level 1.

Notes to the Consolidated Financial Statements continued

(vi) Changes in the fair value of scheme assets and liabilities

The table below shows the movements in fair value of scheme assets and liabilities and shows where they are reflected in the financial statements.

	Fair value of scheme assets 2024 £m	Present value of scheme liabilities 2024 £m	Surplus/ (deficit) 2024 £m	Fair value of scheme assets 2023 £m	Present value of scheme liabilities 2023 £m	Surplus/ (deficit) 2023 £m
At 1 January	**1,057.1**	**(1,032.6)**	**24.5**	1,059.7	(1,011.9)	47.8
Current service cost – employer	–	(7.1)	(7.1)	–	(5.3)	(5.3)
Administration expenses – employer	(1.7)	–	(1.7)	(2.0)	–	(2.0)
Net interest on scheme assets and liabilities	47.5	(45.6)	1.9	50.4	(47.3)	3.1
Total recognised in the income statement	45.8	(52.7)	(6.9)	48.4	(52.6)	(4.2)
Return of plan assets	(108.1)	–	(108.1)	(9.0)	–	(9.0)
Effect of changes in demographic assumptions	–	2.1	2.1	–	24.3	24.3
Effect of changes in financial assumptions	–	63.9	63.9	–	(22.7)	(22.7)
Effect of experience adjustments	–	3.4	3.4	–	(21.7)	(21.7)
Total recognised in the SOCI	(108.1)	69.4	(38.7)	(9.0)	(20.1)	(29.1)
Contributions by employer	24.2	–	24.2	10.5	–	10.5
Total recognised in the cash flow statement	24.2	–	24.2	10.5	–	10.5
Contributions by employees	6.0	(6.0)	–	5.1	(4.9)	0.2
Current service cost – employees	–	–	–	–	(0.3)	(0.3)
Net Interest cost – employee	–	–	–	0.1	(0.1)	–
Change in member share	6.0	(6.0)	–	5.2	(5.3)	(0.1)
Benefits paid	(54.4)	54.4	–	(50.3)	50.3	–
Insurance premiums for risk benefits	(2.5)	2.5	–	(2.0)	2.0	–
Transfer in of accrued benefits	5.6	(5.6)	–	4.1	(4.1)	–
Transfer out of benefits	–	–	–	(12.2)	12.2	–
Foreign exchange	(4.2)	5.1	0.9	2.7	(3.1)	(0.4)
Other movements	(55.5)	56.4	0.9	(57.7)	57.3	(0.4)
At 31 December	**969.5**	**(965.5)**	**4.0**	**1,057.1**	**(1,032.6)**	**24.5**

Notes to the Consolidated Financial Statements continued

(vii) Actuarial assumptions: SPLAS

The assumptions set out below are for SPLAS, which reflects 84% of total liabilities and 85% of total assets of the defined benefit pension scheme in which the Group participates. The significant actuarial assumptions with regards to the determination of the defined benefit obligation are set out below.

The Group continued to set RPI inflation in line with the market expectation less an inflation risk premium. The inflation risk premium is 0.3% both at 31 December 2023 and at 31 December 2024.

The average duration of the benefit obligation at the end of the reporting period is 11 years (2023: 12 years).

Significant actuarial assumptions	2024 %	2023 %
Discount rate	**5.50**	4.80
Rate of salary increases	**3.05**	2.85
RPI Inflation	**3.15**	3.05
CPI Inflation - pre-retirement	**2.55**	2.35

Post-retirement mortality[1]	2024 years	2023 years
Current pensioners at 65 – male	**20.8**	20.9
Current pensioners at 65 – female	**23.6**	23.6
Future pensioners at 65 – male	**22.8**	22.8
Future pensioners at 65 – female	**25.7**	25.6

1. The mortality assumptions have been updated to reflect the latest available mortality tables CMI_2023 (2023: CMI_2022).

Sensitivity analysis for SPLAS is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant. The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 December 2024 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service. The defined benefit obligation as at 31 December 2024 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Increase/(decrease) in defined benefit obligation of SPLAS	2024 £m	2023 £m
Discount rate – 1.0% increase	**(79.8)**	(93.8)
Discount rate – 1.0% decrease	**96.1**	114.1
Inflation – 1.0% increase	**57.6**	74.1
Inflation – 1.0% decrease	**(53.7)**	(69.1)
Rate of salary increase – 1.0% increase	**1.1**	1.5
Rate of salary increase – 1.0% decrease	**(1.0)**	(1.3)
Mortality – one-year age rating	**23.3**	26.6

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitations given that a combination of changes is more likely, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

The increase or decrease in the defined benefit obligation in the sensitivity table above would be offset by the corresponding movement in the scheme's assets. A 1% change in the long-term gilt yields consistent with the discount rates would result in an approximate offsetting movement of £70m (2023: £90m) in the scheme's LDI investment and a 1% change in long term inflation expectation would result in an approximate offsetting movement of £50m (2023: £60m) in the scheme's LDI Investment.

Notes to the Consolidated Financial Statements continued

(viii) Actuarial assumptions: Other schemes

The other UK based schemes are valued on a consistent basis to SPLAS. The non-UK based schemes use a discount rate ranging from 1.00% to 5.40% (2023: 1.40% to 5.72%).

The expected yield on bond investments with fixed interest rates is derived from their market value. The yield on equity investments contains an additional premium (an 'equity risk premium') to compensate investors for the additional anticipated risks of holding this type of investment, when compared to bond yields. The Group applies an equity risk premium of 3.0% (2023: 4.6%).

The overall expected return on assets is calculated as the weighted average of the expected returns for the principal asset categories held by the scheme.

29 (b) Defined contribution schemes

The Group paid employer contributions of £96.8m (2023: £97.9m) into UK defined contribution schemes, foreign defined contribution schemes and foreign state pension schemes.

Serco participated in certain pre-funded defined benefit pension arrangements relating to contracts, including participations in public sector schemes, however, contractual protections are in place allowing actuarial and investment risk to be passed to the end customer via recoveries for contributions paid.

The nature of these arrangements varies from contract to contract but typically allow for the majority of contributions payable to the schemes in excess of an initial rate agreed at the inception to be recovered from the end customer, as well as exit payments payable to the schemes at the cessation of the contract, such that the Group's net exposure to actuarial and investment risk is immaterial. Cash contributions are recognised as pension costs and no asset or liability is shown on the balance sheet.

30. Share capital

Issued and fully paid	2024 £m	2023 £m
1,023,855,243 (2023: 1,103,545,966) ordinary shares of 2p each	**20.5**	22.1

	2024 Number	2023 Number
Number of shares at 1 January	**1,103,545,966**	1,218,008,788
Shares cancelled	**(79,690,723)**	(114,462,822)
Number of shares 31 December	**1,023,855,243**	1,103,545,966

The Company has one class of ordinary shares which carry no right to fixed income.

31. Share premium account

	2024 £m	2023 £m
At 1 January and 31 December	**463.1**	463.1

Notes to the Consolidated Financial Statements continued

32. Reserves

32 (a) Movements in other reserves

	Retirement benefit obligations reserve £m	Share-based payment reserve £m	Own shares reserve £m	Treasury shares £m	Hedging reserve £m	Translation reserve £m	Capital redemption reserve £m	Total other reserves £m
At 1 January 2023	(169.9)	105.5	(7.7)	(91.2)	0.3	32.6	0.5	(129.9)
Total comprehensive loss for the year	(26.0)	–	–	–	(0.6)	(38.4)	–	(65.0)
Shares purchased and held in own share reserve	–	–	(22.9)	–	–	–	–	(22.9)
Shares purchased and held in Treasury	–	–	–	(88.8)	–	–	–	(88.8)
Cancellation of shares held in Treasury				180.0			2.3	182.3
Shares transferred to award holders on exercise of share awards	–	(15.6)	15.6	–	–	–	–	–
Expense in relation to share-based payments	–	13.5	–	–	–	–	–	13.5
Tax credit on items taken directly to equity	–	0.5	–	–	–	–	–	0.5
At 1 January 2024	**(195.9)**	**103.9**	**(15.0)**	**–**	**(0.3)**	**(5.8)**	**2.8**	**(110.3)**
Total comprehensive loss for the year	**(31.0)**	**–**	**–**	**–**	**(0.3)**	**(18.6)**	**–**	**(49.9)**
Shares purchased and held in own share reserve	**–**	**–**	**(22.8)**	**–**	**–**	**–**	**–**	**(22.8)**
Shares purchased and held in Treasury	**–**	**–**	**–**	**(141.3)**	**–**	**–**	**–**	**(141.3)**
Cancellation of shares held in Treasury	**–**	**–**	**–**	**141.3**	**–**	**–**	**1.6**	**142.9**
Shares transferred to award holders on exercise of share awards	**–**	**(17.0)**	**17.1**	**–**	**–**	**–**	**–**	**0.1**
Expense in relation to share-based payments	**–**	**15.2**	**–**	**–**	**–**	**–**	**–**	**15.2**
Tax credit on items taken directly to equity	**–**	**0.7**	**–**	**–**	**–**	**–**	**–**	**0.7**
At 31 December 2024	**(226.9)**	**102.8**	**(20.7)**	**–**	**(0.6)**	**(24.4)**	**4.4**	**(165.4)**

32 (b) Retirement benefit obligations reserve

The retirement benefit obligations reserve represents the actuarial gains and losses recognised in respect of annual actuarial valuations for defined benefit retirement schemes, the fair value adjustments on reimbursable rights and the related movements in deferred tax balances.

32 (c) Share-based payment reserve

The share-based payment reserve represents credits relating to equity-settled share-based payment transactions and any gain or loss on the exercise of share award schemes satisfied by own shares.

Notes to the Consolidated Financial Statements continued

32 (d) Own shares reserve
The own shares reserve represents the cost of shares in Serco Group plc held by the Serco Group plc Employee Share Ownership Trust (ESOT) to satisfy awards under the Group's share plan schemes. At 31 December 2024, the ESOT held 13,418,111 (2023: 11,351,967) shares equal to 1.3% of the current allotted share capital (2023: 1.0%). The market value of shares held by the ESOT as at 31 December 2024 was £20.3m (2023: £18.4m).

32 (e) Treasury shares
The Treasury shares reserve represents amounts paid to repurchase ordinary shares. On 29 February 2024, the Group announced its intention to repurchase ordinary shares with a value of up to £140m. The buyback programme took place between 6 March and 29 November. During this period, the Group repurchased 79,690,723 shares at an average cost of £1.773 for total cost including fees of £141.3m. All shares purchased in 2024 have been cancelled.

32 (f) Hedging and translation reserve
The hedging and translation reserve represents foreign exchange differences arising on translation of the Group's overseas operations and movements relating to cash flow hedges.

33. Share based payment expense
The Group recognised the following expenses related to equity-settled share-based payment transactions:

	2024 £m	2023 £m
Long-Term Incentive Plan	**12.3**	10.7
Deferred Bonus Plan	**0.7**	0.9
Equity Settled Bonus Plan	**0.2**	0.6
MyShareSave Plan	**2.0**	1.3
	15.2	13.5

There are no cash settled arrangements and all schemes are issued by the Serco Group plc for eligible employees within the Group and its subsidiaries.

Long-Term Incentive Plan (LTIP)
Under the LTIP, eligible employees have been granted conditional share awards. Awards vest after the performance period of two to three years and are subject to the achievement of certain performance measures, with the exception of non-performance awards. These non-performance awards are subject only to continued employment on vesting dates which vary from two to three years after the grant dates.

On the performance-related awards, the performance measures are Earnings per Share (EPS), Total Shareholder Return (TSR), Return on Invested Capital (ROIC) and measures linked to Strategic Objectives.

	Number of shares under award 2024 thousands	Weighted average exercise price 2024 £	Number of shares under award 2023 thousands	Weighted average exercise price 2023 £
Outstanding at 1 January	**28,341**	**nil**	30,284	nil
Granted during the year	**9,290**	**nil**	11,305	nil
Dividend equivalent granted during the year	**555**	**nil**	588	nil
Exercised during the year	**(8,364)**	**nil**	(9,013)	nil
Lapsed during the year	**(2,768)**	**nil**	(4,823)	nil
Outstanding at 31 December	**27,054**	**nil**	28,341	nil

The awards over shares outstanding at 31 December 2024 were all unvested and had a weighted average contractual life remaining of 1.3 years (2023: 1.0 years).

In the year, 9,289,543 grants were made, of which 1,294,211 were non-performance related. The remaining 7,995,332 awards were performance-based awards, split between the following performance conditions EPS (25% weighting), average ROIC (25%) and relative TSR (20%), together with two growth measures aligned to our medium-term growth goals (total of 20% weighting split between the Book-to-Bill ratio and Organic Revenue Growth), and an ESG scorecard (10%). The rewards subject to market-based performance conditions (such as the TSR condition for these awards) were valued using the Monte Carlo Simulation model. For all other awards the fair value is equal to the share price on the date of grant, no adjustment to the market price is required as the awards accrue dividend equivalents.

The Monte Carlo Simulation model is considered to be the most appropriate for valuing awards granted under schemes where there are changes in performance conditions by which the awards are measured, such as for the TSR-based awards.

Notes to the Consolidated Financial Statements continued

Long-Term Incentive Plan (LTIP) continued

The Monte Carlo Simulation model used the following inputs:

	2024
Weighted average share price	**£1.84**
Weighted average exercise price	**nil**
Expected volatility	**22.5 %**
Average expected life (years)	**2.91**
Risk-free rate	**3.96 %**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average fair value of awards granted under this scheme in the year is £1.74 (2023: £1.37).

Performance Share Plan (PSP)

Under the PSP, eligible employees have been granted options or conditional share awards with an exercise price of two or zero pence. Awards vest after the performance period of two to three years and are subject to the achievement of certain performance measures, with the exception of non-performance awards. These non-performance awards are only subject to continued employment on vesting dates which vary from two to three years after the grant dates.

On the performance-related awards, the performance measures are Earnings per Share (EPS), Total Shareholder Return (TSR) and Return on Invested Capital (ROIC). If options remain unexercised after a period of ten years from the date of grant, then the options expire.

	Number of options or shares under award 2024 thousands	Weighted average exercise price 2024 £	Number of options or shares under award 2023 thousands	Weighted average exercise price 2023 £
Outstanding at 1 January	**4,357**	**0.02**	6,455	0.02
Dividend equivalent granted during the year	**–**	**nil**	–	nil
Exercised during the year	**(1,342)**	**0.02**	(2,098)	0.02
Lapsed during the year	**(37)**	**0.02**	–	nil
Outstanding at 31 December	**2,978**	**0.02**	4,357	**0.02**

Of these awards, 2,978,436 (2023: 4,356,603) were exercisable at the end of the year. The awards outstanding at 31 December 2024 had a weighted average contractual life remaining of 2.4 years (2023: 2.9 years). There were no new awards granted under the Performance Share Plan in the year.

Deferred Bonus Plan (DBP)

Under the DBP, eligible employees are entitled to participate in a voluntary bonus deferral, using up to 50% of their earned annual bonus to purchase shares in the Group at market price. In connection with this, the Group will make a matching share award, up to a maximum of two times the gross bonus deferred, which will vest provided they remain in employment for that period, the shares are retained for that period, and the performance measures have been met.

	Number of shares under award 2024 thousands	Weighted average exercise price 2024 £	Number of shares under award 2023 thousands	Weighted average exercise price 2023 £
Outstanding at 1 January	**1,875**	**nil**	2,075	nil
Granted during the year	**212**	**nil**	473	nil
Dividend equivalent granted during the year	**17**	**nil**	40	nil
Exercised during the year	**(723)**	**nil**	(613)	nil
Lapsed during the year	**–**	**nil**	(100)	nil
Outstanding at 31 December	**1,381**	**nil**	1,875	nil

None of these awards were exercisable at the end of the year (2023: none). The awards outstanding at 31 December 2024 had a weighted average contractual life remaining of 0.9 years (2023: 0.7 years).

There were 212,204 new awards granted under the Deferred Bonus Plan in the year, with 100% of the deferred bonus subject to the same EPS performance conditions as the LTIPs. The fair value of these non-market performance awards is equal to the share price on the date of grant. No adjustment to the market price is required as the awards accrue dividend equivalents.

Notes to the Consolidated Financial Statements continued

The weighted average fair value of awards granted under this scheme in the year is £1.86 (2023: £1.52).

Equity Settled Bonus Plan (ESBP)

Under the ESBP, eligible employees who are subject to a compulsory bonus deferral are granted share awards equivalent in value to the gross bonus deferred. The awards vest at the end of the deferral period and the awards are not subject to any performance or service conditions.

	Number of shares under award 2024 thousands	Weighted average exercise price 2024 £	Number of shares under award 2023 thousands	Weighted average exercise price 2023 £
Outstanding at 1 January	**1,209**	**nil**	1,443	nil
Granted during the year	**163**	**nil**	361	nil
Dividend equivalent granted during the year	**13**	**nil**	24	nil
Exercised during the year	**(347)**	**nil**	(619)	nil
Outstanding at 31 December	**1,038**	**nil**	1,209	nil

None of these awards were exercisable at the end of the year (2023: none). The awards outstanding at 31 December 2024 had a weighted average contractual life remaining of 0.9 years (2023: 0.6 years).

There were 163,369 new awards granted under the Equity Settled Bonus Plan in the year. The fair value of these non-performance awards is equal to the share price on the date of grant. No adjustment to the market price is required as the awards accrue dividend equivalents.

The weighted average fair value of awards granted under this scheme in the year is £1.90 (2023: £1.54).

UK and International save as you earn (MyShareSave)

MyShareSave schemes open annually to employees in UK, USA, Canada, United Arab Emirates and Australia. Participating individuals are required to save 36 monthly payments over a maximum of a 48-month period and thus will have the option to buy shares at a discounted grant price. Participants can withdraw from the scheme at any time including after the vesting period has ended.

	Number of shares under award 2024 thousands	Weighted average exercise price 2024 £	Number of shares under award 2023 thousands	Weighted average exercise price 2023 £
Outstanding at 1 January	**10,906**	**1.25**	5,536	1.26
Granted during the year	**6,349**	**1.42**	6,306	1.25
Exercised during the year	**(124)**	**1.26**	(28)	1.26
Lapsed during the year	**(1,494)**	**1.26**	(908)	1.26
Outstanding at 31 December	**15,637**	**1.32**	10,906	1.25

Of these awards 110,800 (2023: 72,310) were exercisable at the end of the year. The awards outstanding at 31 December 2024 had a weighted average contractual life remaining of 2.5 years (2023: 3.0 years).

There were 6,349,422 new awards granted under the MyShareSave plan in the year and the Black-Scholes model used the following inputs:

	2024
Weighted average share price	**£1.79**
Exercise price	**£1.42**
Expected volatility	**23.0%**
Dividend yield	**3.0%**
Expected life (years)	**3.68**
Risk-free rate	**4.5%**

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected life used in the model has been adjusted, based on Management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average estimated fair value of awards granted under this scheme in the year was £0.47 (2023: £0.43).

Notes to the Consolidated Financial Statements continued

34. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint venture undertakings and associates are disclosed below.

Transactions

During the year, Group companies entered into the following transactions with joint ventures and associates:

	Transactions 2024 £m	Current outstanding 2024 £m	Non-current outstanding 2024 £m	Transactions 2023 £m	Current outstanding 2023 £m	Non-current outstanding 2023 £m
Sale of goods and services						
Joint ventures	**20.2**	**(0.2)**	**–**	15.4	1.1	–
Other						
Loan to joint venture	**10.0**	**–**	**–**	–	10.0	–
Dividends received – joint ventures	**30.8**	**–**	**–**	21.1	–	–
Receivable from consortium for tax – joint ventures	**9.6**	**9.4**	**10.1**	9.9	3.7	9.4
Total	**70.6**	**9.2**	**10.1**	46.4	14.8	9.4

Sales of goods and services to joint ventures relates to services provided including administrative and back office activities to VIVO. Joint venture receivable and loan amounts outstanding have arisen from transactions undertaken during the general course of trading, are unsecured and will be settled in cash. In the year ended 31 December 2023 there was a loan receivable balance from VIVO; this was repaid in year.

Remuneration of key Management personnel

The Directors of Serco Group plc had no material transactions with the Group during the year other than service contracts and Directors' liability insurance.

The remuneration of the key Management personnel of the Group is set out below:

	2024 £m	2023 £m
Short-term employee benefits	**8.3**	7.7
Post-employment benefits	**0.3**	0.3
Termination benefits	**0.1**	0.2
Share-based payment expense	**4.9**	4.1
	13.6	12.3

The key Management personnel comprise the Executive Directors, Non-Executive Directors and members of the Group Executive Committee (2024: 18 individuals, 2023: 18 individuals).

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2024 £m	2023 £m
Salaries, fees, bonuses and benefits in kind	**3.5**	3.1
Amounts receivable under long-term incentive schemes	**2.8**	2.5
Gains on exercise of share awards	**1.9**	0.9
	8.2	6.5

None of the Directors are members of the Company's defined benefit or money purchase pension schemes.

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 97 to 117.

Notes to the Consolidated Financial Statements continued

35. Notes to the Consolidated cash flow statement

Year ended 31 December	2024 Underlying £m	2024 Non-underlying items £m	2024 Reported £m	2023 Underlying £m	2023 Non-underlying items £m	2023 Reported £m
Profit before tax	**240.4**	**(143.4)**	**97.0**	224.1	22.9	247.0
Net finance costs	33.1	–	33.1	24.6	–	24.6
Operating profit for the year	**273.5**	**(143.4)**	**130.1**	248.7	22.9	271.6
Adjustments for:						
Share of profits in joint ventures and associates	(22.8)	–	(22.8)	(29.0)	–	(29.0)
Share-based payment expense	15.2	–	15.2	13.5	–	13.5
Impairment of intangible assets	–	2.0	2.0	0.1	8.1	8.2
Amortisation of intangible assets	8.3	26.9	35.2	7.7	22.8	30.5
Impairment of goodwill	–	114.5	114.5	–	–	–
(Reversal of impairment)/Impairment of property, plant and equipment	(0.4)	–	(0.4)	0.6	–	0.6
Net impairment of right of use assets	0.2	–	0.2	0.7	–	0.7
Depreciation of property, plant and equipment	17.2	–	17.2	17.3	–	17.3
Depreciation of right of use assets	141.5	–	141.5	125.4	–	125.4
Loss/(profit) on disposal of intangible assets	0.7	–	0.7	(0.8)	–	(0.8)
(Profit)/Loss on early termination of leases	0.1	–	0.1	0.6	–	0.6
Profit on disposal of property, plant and equipment	(0.3)	–	(0.3)	(0.6)	–	(0.6)
Other non-cash movements	–	–	–	(1.5)	–	(1.5)
(Decrease)/increase in provisions	(3.1)	–	(3.1)	12.6	(44.6)	(32.0)
Total non-cash items	**156.6**	**143.4**	**300.0**	146.6	(13.7)	132.9
Operating cash inflow before movements in working capital	**430.1**	**–**	**430.1**	395.3	9.2	404.5
(Increase) in inventories	(0.7)	–	(0.7)	(2.4)	0.1	(2.3)
(Increase)/decrease in receivables	(1.9)	–	(1.9)	63.1	–	63.1
Decrease/(increase) in payables	32.9	–	32.9	(30.7)	–	(30.7)
Movements in working capital	**30.3**	**–**	**30.3**	30.0	0.1	30.1
Cash generated by operations	**460.4**	**–**	**460.4**	425.3	9.3	434.6
Tax paid	(41.3)	–	(41.3)	(41.1)	–	(41.1)
Non-cash R&D credit/(expenditure)	0.3	–	0.3	(0.4)	–	(0.4)
Net cash inflow from operating activities	**419.4**	**–**	**419.4**	383.8	9.3	393.1

36. Post balance sheet events

Acquisitions

On 30 January 2025, Serco agreed to acquire Northrop Grumman's mission training and satellite ground network communications software business (MT&S) for US$327m (£264m) subject to regulatory approval and final fair value assessments. The acquisition is expected to complete midway through 2025 and therefore the availability of financial information, the measurement of the fair value of net assets acquired and any goodwill to be recognised as a result of the acquisition is in progress.

The Group maintains committed credit facilities to ensure that it has sufficient liquidity to maintain its ongoing operations. On 30 January 2025, Serco Group plc signed a committed 2-year term loan facility of US$250m (c.£199m) on the announcement of the acquisition of MT&S. The facility provides a source of additional liquidity in the near term, becoming available after the completion of the acquisition, and it will mandatorily cancel in the event of equivalent future debt issuance by the Group. The principal financial covenant ratios of this facility are consistent with the USPP loan notes and revolving credit facility.

Dividends

Subsequent to the year-end, the Board has recommended the payment of a final dividend in respect of the year ended 31 December 2024 of 2.82 pence per share. The dividend remains subject to shareholder approval at the Annual General Meeting and therefore no amounts have been recognised in respect of a dividend in these Consolidated Financial Statements.

Company Balance Sheet

At 31 December	Note	2024 £m	2023 £m
Fixed assets			
Right of use assets	38	**0.2**	0.1
Investments in subsidiaries	39	**2,052.5**	2,052.5
		2,052.7	2,052.6
Current assets			
Debtors: amounts due within one year	40	**11.5**	23.1
Debtors: amounts due after more than one year	40	**397.8**	449.1
Corporation tax assets		**17.9**	9.9
Derivative financial instruments	44	**1.1**	4.9
Cash at bank and in hand		**101.3**	45.0
		529.6	532.0
Total assets		**2,582.3**	2,584.6
Creditors: amounts falling due within one year			
Trade and other payables	41	**(155.2)**	(140.4)
Loans	42	**(38.8)**	(51.0)
Derivative financial instruments	44	**(6.8)**	(1.7)
Provisions	43	**(6.6)**	(8.1)
		(207.4)	(201.2)
Net current assets		**322.2**	330.8
Creditors: amounts falling due after more than one year			
Loans	42	**(237.6)**	(155.2)
Amounts owed to subsidiary companies		**(1,013.5)**	(1,043.0)
		(1,251.1)	(1,198.2)
Total liabilities		**(1,458.5)**	(1,399.4)
Net assets		**1,123.8**	1,185.2
Capital and reserves			
Called up share capital	46	**20.5**	22.1
Share premium account	47	**463.1**	463.1
Capital redemption reserve		**4.3**	2.7
Profit and loss account	48	**571.6**	626.0
Share-based payment reserve	49	**85.0**	86.3
Own shares reserve	50	**(20.7)**	(15.0)
Total shareholders' funds		**1,123.8**	1,185.2

The accompanying notes form an integral part of the financial statements.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The total profit for the year was £125.3m (2023: £437.9m) and the total comprehensive profit for the year was £125.3m (2023: £437.9m).

The financial statements on pages 198 to 206 (registered number 02048608) were approved by the Board of Directors on 26 February 2025 and signed on its behalf by:

Mark Irwin
Group Chief Executive

Nigel Crossley
Group Chief Financial Officer

Company Statement of Changes in Equity

	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Treasury shares reserve	Share-based payment reserve	Own shares reserve	Total shareholders' equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2023	24.4	463.1	0.4	401.8	(91.2)	88.0	(7.7)	878.8
Total comprehensive income for the year	–	–	–	437.9	–	–	–	437.9
Dividends paid	–	–	–	(33.7)	–	–	–	(33.7)
Shares purchased and held in own share reserve	–	–	–	–	–	–	(22.9)	(22.9)
Shares purchased and held in Treasury	–	–	–	–	(88.8)	–	–	(88.8)
Cancellation of shares held in Treasury	(2.3)	–	2.3	(180.0)	180.0	–	–	–
Shares transferred to option holders on exercise	–	–	–	–	–	(15.6)	15.6	–
Awards over parent's shares made to employees of subsidiaries	–	–	–	–	–	7.9	–	7.9
Expense in relation to share-based payments	–	–	–	–	–	5.6	–	5.6
Tax credit on items taken directly to equity	–	–	–	–	–	0.4	–	0.4
At 1 January 2024	**22.1**	**463.1**	**2.7**	**626.0**	**–**	**86.3**	**(15.0)**	**1,185.2**
Total comprehensive income for the year	**–**	**–**	**–**	**125.3**	**–**	**–**	**–**	**125.3**
Dividends paid	**–**	**–**	**–**	**(38.4)**	**–**	**–**	**–**	**(38.4)**
Shares purchased and held in own share reserve	**–**	**–**	**–**	**–**	**–**	**–**	**(22.8)**	**(22.8)**
Shares purchased and held in Treasury	**–**	**–**	**–**	**–**	**(141.3)**	**–**	**–**	**(141.3)**
Cancellation of shares held in Treasury	**(1.6)**	**–**	**1.6**	**(141.3)**	**141.3**	**–**	**–**	**–**
Shares transferred to option holders on exercise	**–**	**–**	**–**	**–**	**–**	**(17.0)**	**17.1**	**0.1**
Awards over parent's shares made to employees of subsidiaries	**–**	**–**	**–**	**–**	**–**	**8.9**	**–**	**8.9**
Expense in relation to share-based payments	**–**	**–**	**–**	**–**	**–**	**6.3**	**–**	**6.3**
Tax credit on items taken directly to equity	**–**	**–**	**–**	**–**	**–**	**0.5**	**–**	**0.5**
At 31 December 2024	**20.5**	**463.1**	**4.3**	**571.6**	**–**	**85.0**	**(20.7)**	**1,123.8**

Notes to the Company Financial Statements

37. Material accounting policies

The principal accounting policies adopted are set out below and have been applied consistently throughout the current and preceding year.

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the UK-adopted International Financial Reporting Standards but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and the going concern basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are the same as those set out in note 2 to the Consolidated Financial Statements, except as noted below.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

38. Right of use assets

Leased vehicles of £0.2m (2023: £0.1m) have been included on the balance sheet.

39. Investments held as fixed assets

Shares in subsidiary companies at cost	£m
At 1 January 2023, 1 January 2024, 31 December 2024	**2,052.5**

An impairment test has been performed at the year end by comparing the carrying amount of 100% of investments with the relevant subsidiary financial information to identify whether their net assets, being an approximation of their recoverable amount, are in excess of their carrying amount. No impairment resulted from this test.

A full list of subsidiaries and related undertakings is included in note 53 which form part of the financial statements.

40. Debtors

Amounts due within one year	2024 £m	2023 £m
Prepayments	**0.4**	15.2
Amounts owed by subsidiary companies	**0.9**	1.2
Prepaid intercompany interest	**10.2**	6.7
	11.5	23.1

Amounts due after more than one year	2024 £m	2023 £m
Amounts owed by subsidiary companies	**397.8**	439.1
Amounts owed by joint venture of Serco Group	**–**	10.0
	397.8	449.1

The expected credit loss provision against amounts owed by subsidiary companies is immaterial.

41. Trade and other payables

Amounts due within one year	2024 £m	2023 £m
Amounts owed to subsidiary companies	**103.7**	73.3
Trade creditors	**0.2**	1.4
Accruals and deferred income	**51.2**	46.9
Other creditors including taxation and social security	**0.1**	18.8
	155.2	140.4

Notes to the Company Financial Statements continued

42. Loans

	2024 £m	2023 £m
Loans are repayable as follows:		
On demand or within one year	**38.8**	51.0
Between one and two years	**–**	38.5
Between two and five years	**122.2**	61.9
After five years	**115.4**	54.8
	276.4	206.2
Less: amount due for settlement within one year (shown within current liabilities)	**(38.8)**	(51.0)
Amount due for settlement after one year	**237.6**	155.2

43. Provisions

	Contract £m
1 January 2024	**8.1**
Released to the income statement	**(1.5)**
31 December 2024	**6.6**
Analysed as:	
Current	**6.6**

Within the Company's subsidiaries, there are a small number of contracts where the balance of risks and opportunities indicates that they might be onerous if transformation initiatives or contract changes are not successful, but do not require an onerous contract provision on an individual basis. The Company has made a best estimate of the provision required to take into consideration the portfolio risk of contracts held by its subsidiaries.

44. Derivative financial instruments

	Assets 2024 £m	Liabilities 2024 £m	Assets 2023 £m	Liabilities 2023 £m
Forward foreign exchange contracts	**1.1**	**(6.8)**	4.9	(1.7)
Analysed as				
Current	**1.1**	**(6.8)**	4.9	(1.7)

The Company holds derivative financial instruments in accordance with the Group's policy in relation to its financial risk management. More information is set out in note 28 of the Group's Consolidated Financial Statements.

45. Deferred tax

The movement in the deferred tax asset during the year was as follows:

	2024 £m	2023 £m
At 1 January	**–**	0.7
Credit to profit and loss account	**–**	(0.7)
At 31 December	**–**	–

The deferred tax asset not recognised is as follows:

At 31 December	2024 £m	2023 £m
Temporary differences on assets/intangibles	**0.2**	0.2
Share-based payments and employee benefits	**1.0**	1.5
Other temporary differences	**2.9**	1.5
Tax losses	**46.3**	51.3
	50.4	54.5

Notes to the Company Financial Statements continued

46. Called up share capital

Issued and fully paid	2024 £m	2023 £m
1,023,855,243 (2023: 1,103,545,966) ordinary shares of 2p each	**20.5**	22.1

	2024 Number	2023 Number
Number of shares at 1 January	**1,103,545,966**	1,218,008,788
Shares cancelled	**(79,690,723)**	(114,462,822)
Number of shares 31 December	**1,023,855,243**	1,103,545,966

The Company has one class of ordinary shares which carry no right to fixed income.

47. Share premium account

	2024 £m	2023 £m
Share premium account	**463.1**	463.1

48. Profit and loss

	2024 £m	2023 £m
At 1 January	**626.0**	401.8
Profit/(loss) for the year	**125.3**	437.9
Equity dividends paid	**(38.4)**	(33.7)
Cancellation of shares held in Treasury	**(141.3)**	(180.0)
At 31 December	**571.6**	**626.0**

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these accounts. The total profit for the year was £125.3m (2023: £437.9m) and the total comprehensive profit for the year was £125.3m (2023: £437.9m).

The Company plans to maintain sufficient funds and distributable reserves to allow payments of projected dividends to shareholders.

49. Share based payment reserve

	2024 £m	2023 £m
At 1 January	**86.3**	88.0
Awards over parent's shares made to employees of subsidiaries	**8.9**	7.9
Share based payment charge	**6.3**	5.6
Shares transferred to award holders on exercise of share awards	**(17.0)**	(15.6)
Tax credit/charge on items taken directly to equity	**0.5**	0.4
At 31 December	**85.0**	86.3

Details of the share-based payment disclosures are set out in note 33 of the Group's Consolidated Financial Statements.

50. Other reserves

Treasury shares reserve

The Treasury shares reserve represents amounts paid to repurchase ordinary shares. On 29 February 2024, the Group announced its intention to repurchase ordinary shares with a value of up to £140m. The buyback programme took place between 6 March and 29 November. During this period, the Group repurchased 79,690,723 shares at an average cost of £1.773 for total cost including fees of £141.3m. All shares purchased in 2024 have been cancelled.

Own share reserve

The own shares reserve represents the cost of shares in Serco Group plc held by the Serco Group plc Employee Share Ownership Trust (ESOT) to satisfy awards under the Group's share plan schemes. At 31 December 2024, the ESOT held 13,418,111 (2023: 11,351,967) shares equal to 1.3% of the current allotted share capital (2023: 1.0%). The market value of shares held by the ESOT as at 31 December 2024 was £20.3m (2023: £18.4m).

Notes to the Company Financial Statements continued

51. Contingent liabilities

The Company and its subsidiaries have provided certain guarantees and indemnities in respect of performance and other bonds, issued by its banks on its behalf in the ordinary course of business. The total commitment outstanding as at 31 December 2024 was £210.4m (2023: £212.7m).

The Company has previously disclosed a contingent liability in respect of damages for alleged losses as a result of the reduction in Serco's share price in 2013. The claim has now been resolved with no material impact to the Company's financial statements.

The Company is also aware of other claims and potential claims which involve or may involve legal proceedings against the Company although the timing of settlement of these claims remains uncertain. The Directors are of the opinion, having regard to legal advice received and the Company's insurance arrangements, that it is unlikely that these matters will, in aggregate, have a material effect on the Company's financial position.

The Company has a guarantee in place with the SPLAS Trustees in respect of any pension contribution obligations that remain unpaid after 30 days of being due from other Group entities, including the plan sponsor, up to a total of £200m (2023: £200m) less contributions made by the Group since April 2022. This guarantee runs until 2030 (2023: 2030).

The Company has guaranteed overdrafts, leases, and bonding facilities of its joint ventures and associates up to a maximum value of £5.7m (2023: £5.7m). The actual commitment outstanding at 31 December 2024 was £5.7m (2023: £5.7m).

52. Related party transactions

The Directors of Serco Group plc had no material transactions with the Company or its subsidiaries during the year other than service contracts and Directors' liability insurance. Details of the Directors' remuneration are disclosed in the Remuneration Report for the Group.

Transactions between the Company and its wholly-owned subsidiaries are not disclosed in this note as they are exempt from disclosure under FRS 101. The following transactions between the Company and subsidiaries that are not wholly-owned, joint ventures and associates are set out below:

				Restated[2]	Restated[2]	Restated[2]
	Transactions 2024 £m	Current outstanding 2024 £m	Non-current outstanding 2024 £m	Transactions 2023 £m	Current outstanding 2023 £m	Non-current outstanding 2023 £m
Loan interest receivable	**2.9**	**–**	**–**	0.1	–	–
Loans to subsidiaries not wholly owned	**(0.2)**	**–**	**(19.0)**	36.0	–	(18.8)
Loan to joint venture[1]	**10.0**	**–**	**–**	–	10.0	–
Receivables from consortium for tax - joint ventures	**9.2**	**7.7**	**10.1**	10.2	2.4	8.0
Total	**21.9**	**7.7**	**(8.9)**	46.3	12.4	(10.8)

1. In the year ended 31 December 2023 there was a loan receivable balance from VIVO; this was repaid in year.
2. In 2023, related party transactions with subsidiaries that are not wholly-owned, joint ventures and associates were not separately disclosed. In the current year, these transactions have been included in the table above as required by IAS 24. An exemption from disclosure is not permitted under FRS 101.

Notes to the Company Financial Statements continued

53. List of subsidiaries and related undertakings

Company name	Serco Group interest	Registered office address
ACN 611 392 744 Pty Ltd	49%	Level 6, 123 Epping Road, Macquarie Park, NSW 2113, Australia
AI Recruiting BV	100%	Kapteynstraat 1, 2201 BB Noordwijk, The Netherlands
BRTRC Federal Solutions, Inc.	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Cardinal Insurance Company Limited	100%	Dorey Court, Admiral Park, St Peter Port, GY1 4AT, Guernsey
Chimera WBB JV L.L.C.	49%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Clemaco Trading NV	100%	Sint-Sebastiaanstraat 5, 8400 Oostende, Belgium
Climatize Engineering Consultants FZE	100%	Building No. A4, Al Hamra Industrial Zone F-Z, Ras Al Khaimah (RAK), A4-901, United Arab Emirates
Climatize Engineering Consultants L.L.C	100%	20th Floor, Rolex Tower, Sheik Zayed Road, Dubai, Dubai, United Arab Emirates
Conflucent Innovations, L.L.C.	49%	5880 Innovation Drive, Dublin, OH 43016, United States
Decisive Analytics Corporation	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Defence Contractor Management and Operations Limited	24.5%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Djurgårdens Färjetrafik AB	50%	Svensksundsvagen 17, 111 49 Stockholm, Sweden
DMS Maritime Pty Limited	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Innu Serco Inc	49%	P.O. Box 1012, Station C, Happy Valley – Goose Bay, NL, A0P 1C0, Canada
Innu Serco Limited Partnership	49%	P.O. Box 1012, Station C, Happy Valley – Goose Bay, NL, A0P 1C0, Canada
International Aeradio (Emirates) L.L.C. – Abu Dhabi	49%	Office No. 503, 5th Floor, Al Muhairy Building, Zayed The First Street, PO Box 3164 Abu Dhabi, United Arab Emirates
International Aeradio (Emirates) L.L.C. – Dubai	49%	19th Floor, Rolex Tower, Sheikh Zayed Road, PO Box 9197 Dubai, United Arab Emirates
JBI Properties Services Company L.L.C.	49%	Alnahyan East 19, Ayad Alharazeen Building, Abu Dhabi, United Arab Emirates
Joint Integrated Range Solutions L.L.C.	49%	8337 W. Sunset Road, Suite 250, Las Vegas, NV 89113, United States
Khadamat Facilities Management L.L.C.	49%	The United Arab Emirates University, Al Jamea Street, Al Maqam District, PO Box 66718 Al Ain, United Arab Emirates
Lift BV	100%	Kapteynstraat 1, 2201 BB Noordwijk, Netherlands
LOGTEC Inc.	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Mahani Technical Services, L.L.C.	49%	511 Duckwater Fall Road, Duckwater, NV, 89314, United States
Mercurius Finance SA	100%	11 Avenue de la Porte-Neuve, L-2227 Luxembourg
Merseyrail Electrics 2002 Limited	50%	Rail House, Lord Nelson Street, Liverpool, Merseyside, L1 1JF, United Kingdom
Merseyrail Services Holding Company Limited[3]	50%	St Andrews House, 18 - 20 St. Andrew Street, London, EC4A 3AG, United Kingdom
ORS Deutschland GmbH	100%	Güterhallenstrasse 4, 79106 Freiburg, Germany
ORS España Servicios Sociales, S.L.	100%	Avda Felipe II 1 7 1 ° Madrid 28009-Madrid, Spain
ORS Greece Monoprosopi A.E	100%	280, Kifisias Ave., Chalandri, Greece
ORS Group AG	100%	Röschibachstrasse 22, 8037 Zürich, Switzerland
ORS Italia S.r.l	100%	Piazza Annibaliano, 18 CAP 00198 Presso Studio Filippini & Ass, Italy
ORS Service AG	100%	Röschibachstrasse 22, 8037 Zürich, Switzerland
ORS Service GmbH (Austria)	100%	Leopold-Ungar-Platz 2, 1190, Döbling, Wien, Austria
ORS Slovakia s.r.o	100%	Grösslingova 45, Bratislava, Slovakia
OXZ Holdings AG	100%	Röschibachstrasse 22, 8037 Zürich, Switzerland
Priority Properties North West Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Sapienza Consulting France SAS	100%	4 Allée des Cormorans 06150 CANNES LA BOCCA, France
Sapienza Consulting GmbH	100%	Lise-Meitner-Straße 10, 64293 Darmstadt, Germany
Sapienza Consulting Holding BV	100%	Kapteynstraat 1, 2201 BB Noordwijk, Netherlands

Notes to the Company Financial Statements continued

Company name	Serco Group interest	Registered office address
Sapienza Consulting Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Sapienza Consulting S.r.l.	100%	Piazza Sant'Andrea della Valle, 3 Roma, Italy
Serco (Jersey) Limited	100%	26 New Street, St. Helier, JE2 3RA, Jersey
Serco Australia Pty Limited[3]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Belgium S.A.	100%	1945 Chaussée de Wavre, 1160 Auderghem, Brussels, Belgium
Serco Caledonian Sleepers Limited	100%	C/O Serco Northlink Ferries Aberdeen Ferry Terminal, Jamieson's Quay, Aberdeen, United Kingdom, AB11 5NP
Serco Canada Inc.	100%	37 Carl Hall Rd, North York, ON M3K 2B6, Canada
Serco Canada Marine Corporation	100%	555 Legget Drive, Suite 400, Tower A, Ottawa, ON, K2K 2X3, Canada
Serco Citizen Services Pty Ltd	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Corporate Services Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Czech Republic s.r.o.	100%	Praha City Centre, Klimentska 46, Prague, 110 02, Czech Republic
Serco Defence Clothing Pty Ltd	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Defence S.A.	100%	1945 Chaussée de Wavre, 1160 Auderghem, Brussels, Belgium
Serco Defence Services Pty Ltd	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Environmental Services Limited[2]	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Facilities Management Holdings Pty Limited	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Facilities Management Pty Limited	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Facilities Management Sub-Holdings Pty Limited	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Ferries (Guernsey) Crewing Limited	100%	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, GY1 2JA, Guernsey
Serco Ferries (HR) Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Gestion de Negocios S.L.U.	100%	Calle Ayala no 13, 1° derecha, CP-28001, Madrid, Spain
Serco Group (HK) Limited	100%	Unit 3103, 31/F, Millennium City 6, 392 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong
Serco Group Pty Limited[3]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco Holdings Limited[1]	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Inc.[3]	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
Serco International Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Italia S.p.A.	100%	Viale dell'Astronomia no. 13 – 00144 Roma, Italy
Serco Leisure Operating Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Limited[3]	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Listening Company Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Luxembourg S.A.	100%	8-10 Avenue de la Gare L-1610 Luxembourg (Lëtzebuerg)
Serco Maritime Services NV	100%	Sint-Sebastiaanstraat 5, 8400 Oostende, Belgium
Serco MENA Regional Head Quarters LLC	100%	8793 Riyadh Front, Unit S7, King Khalid Int. Airport District, Riyadh 13413-3718, Kingdom of Saudi Arabia
Serco Netherlands B.V.	100%	Kapteynstraat 1, 2201 BB Noordwijk ZH, Netherlands
Serco New Zealand (Asset Management Services) Limited	100%	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand
Serco New Zealand Limited	100%	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand
Serco New Zealand Training Limited	100%	Level 4, KPMG Centre, 18 Viaduct Harbour Avenue, Auckland Central, Auckland, 1010, New Zealand

Notes to the Company Financial Statements continued

Company name	Serco Group interest	Registered office address
Serco North America (Holdings), Inc.	100%	1209 Orange Street, Wilmington, DE 19801, United States
Serco Nunavut Ltd	49%	Field Law, House 2436, PO Box 1734, Iqaluit, NU X0A 0H0, Canada
Serco Paisa Limited	50%	80 Fenchurch Street, London, EC3M 4BY
Serco Pension Trustee Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Projects L.L.C.	49%	Office Number 1904, 19th Floor, Serco Projects, The E18hteen, Alliance Business Center, Doha, PO BOX 23107, Qatar
Serco Regional Services Limited[2]	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco Safety Services L.L.C.	100%	20th Floor, Rolex Tower, Sheik Zayed Road, Dubai, Dubai, United Arab Emirates
Serco S.a.r.l.	100%	le Technoparc Gessien, 15 Rue Lumière, 01630 Saint-Genis-Pouilly, France
Serco SAS	100%	Bourg en Bresse, Technoparc du pays de Gex, 15 rue Lumiere, 01630 Saint Genis Pouilly, France
Serco Saudi Arabia L.L.C.	100%	Building No 7026, Postal Code 13458 Airport Road, King Khaled International Airport District, Kingdom of Saudi Arabia, Secondary No 2795, Riyadh, 13458, Saudi Arabia
Serco Saudi Firefighting LLC	95%	Building No 7026, Postal Code 13458 Airport Road, King Khaled International Airport District, Kingdom of Saudi Arabia
Serco Security Services SASU	100%	15 Rue Lumière, Technoparc Pays de Gex, 01630 Saint Genis Pouilly, France
Serco Services GmbH	100%	Lise-Meitner-Straße 10, 64293 Darmstadt
Serco Singapore Pte Limited	100%	38 Beach Road, #29-11 South Beach Tower, Singapore, 189767
Serco Switzerland S.A.	100%	86bis Route de Frontenex, 1208 Geneva, Switzerland
Serco Traffic Camera Services (VIC) Pty Limited	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Serco-IAL Limited	100%	Serco House, 16 Bartley Wood Business Park, Bartley Way, Hook, Hampshire, RG27 9UY, United Kingdom
Serco-IPS Corporation	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States
TJS Corporate Security WA Pty Limited[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Hospitality & Entertainment Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Services (FNQ) Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Services (Newcastle) Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Services (SA) Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Services (Vic) Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
TJS Services (WA) Pty Ltd[2]	100%	Level 23, 60 Margaret Street, Sydney, NSW 2000, Australia
Vivo Defence Services Limited[3]	50%	First Floor, Neon Q10 Quorum Business Park, Benton Lane, Newcastle Upon Tyne, NE12 8BU, United Kingdom
Whitney, Bradley & Brown, Inc.	100%	12930 Worldgate Drive, Suite 600, Herndon, VA 20170, United States

1. Serco Holdings Limited is directly owned by Serco Group plc. All other subsidiaries and associated undertakings are held indirectly via Group companies.
2. Companies in liquidation or with an active proposal for strike off as at 31 December 2024.
3. Companies key to the consolidated numbers, all of which are engaged in the provision of support services.

Additional Information

Contents

Alternative Performance Measures

Alternative Performance Measures (APMs) reconciliations

Overview

In general, APMs are presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance. The APMs are also used internally in the management of our business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other Management throughout the business.

APMs are non-IFRS measures. Where additional revenue is being included in an APM, this reflects revenues presented elsewhere within the reported financial information, except where amounts are recalculated to reflect constant currency. Where items of income or expense are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or expense of the Group, except where amounts are recalculated to reflect constant currency. As a result, APMs allow investors and other readers to review different kinds of revenue, profits and costs and should not be used in isolation. Commentary including in the Group and Divisional Review, as well as the Consolidated Financial Statements and their accompanying notes, should be referred to in order to fully appreciate all the factors that affect our business. We strongly encourage readers not to rely on any single financial measure, but to carefully review our reporting in its entirety.

Definitions of the Group's APMs is shown in the glossary on pages 212 to 213 and the reconciliations for each measure are shown as follows:

Alternative revenue measures

A reconciliation of reported revenue to the alternative revenue measures is as follows:

Year ended 31 December	Statutory Revenue 2024 £m	Statutory Revenue 2023 £m	Organic Revenue 2024 £m	Organic Revenue 2023 £m	Revenue plus share of joint ventures and associates 2024 £m	Revenue plus share of joint ventures and associates 2023 £m
Alternative revenue measure at constant currency	**4,872.7**	4,873.8	**4,751.2**	4,873.8	**5,377.2**	5,347.2
Foreign exchange differences	**(85.4)**	–	**(81.9)**	–	**(85.4)**	–
Alternative revenue measure at reported currency	**4,787.3**	4,873.8	**4,669.3**	4,873.8	**5,291.8**	5,347.2
Impact of relevant acquisitions or disposals	**–**	–	**118.0**	–	**–**	–
Share of joint venture and associates	**–**	–	**–**	–	**(504.5)**	(473.4)
Reported revenue at reported currency	**4,787.3**	4,873.8	**4,787.3**	4,873.8	**4,787.3**	4,873.8

Alternative profit measures

A reconciliation of underlying operating profit to reported operating profit is as follows:

Year ended 31 December	2024 £m	2023 £m
Underlying operating profit at constant currency	**279.8**	248.7
Foreign exchange differences	**(6.3)**	–
Underlying operating profit at reported currency	**273.5**	248.7
Amortisation and impairment of intangibles arising on acquisition	**(28.9)**	(30.9)
Exceptional Items comprising		
- Operating items	**–**	53.8
- Goodwill impairment	**(114.5)**	–
Reported operating profit at reported currency	**130.1**	271.6

Alternative Performance Measures continued

Underlying EPS

A reconciliation of underlying EPS to reported EPS is as follows:

Year ended 31 December	2024 basic pence	2023 basic pence	2024 diluted pence	2023 diluted pence
Underlying EPS	**16.97**	15.61	**16.67**	15.36
Non-underlying items:				
Amortisation and impairment of intangibles arising on acquisition, net of tax	**(1.98)**	(2.02)	**(1.95)**	(1.99)
Exceptional items, net of tax	**(10.82)**	4.64	**(10.62)**	4.56
Reported EPS	**4.17**	18.23	**4.10**	17.93

Alternative cash flow measures

A reconciliation of underlying operating profit, net cash inflow from underlying operating activities, free cash flow and trading cash flow is as follows:

Year ended 31 December	2024 £m	2023 £m
Underlying operating profit	**273.5**	248.7
Less: Share of profit from joint ventures and associates	**(22.8)**	(29.0)
Movement in provisions	**(3.1)**	12.6
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	**25.1**	25.7
Depreciation and impairment of right of use assets	**141.7**	126.1
Other non-cash movements	**15.7**	11.1
Working capital movements	**30.3**	30.1
Tax paid	**(41.3)**	(41.1)
Non-cash R&D expenditure	**0.3**	(0.4)
Net cash inflow from underlying operating activities	**419.4**	383.8
Dividends from joint ventures and associates	**30.8**	21.1
Net interest paid	**(28.5)**	(26.5)
Capitalised finance costs paid	**(1.0)**	–
Capital element of lease repayments	**(137.4)**	(124.4)
Proceeds received from exercise of share options	**0.1**	–
Purchase of own shares to satisfy share awards	**(22.8)**	(22.9)
Purchase of intangible and tangible assets net of proceeds from disposal	**(33.1)**	(21.9)
Free cash flow	**227.5**	209.2
Add back:		
Tax paid	**41.3**	41.1
Non-cash R&D expenditure	**(0.3)**	0.4
Net interest paid	**28.5**	26.5
Capitalised finance costs paid	**1.0**	–
Trading cash flow	**298.0**	277.2
Underlying Operating Profit	**273.5**	248.7
Trading cash conversion	**109%**	111%

Alternative Performance Measures continued

Free cash flow to adjusted net debt

A reconciliation from free cash flow to adjusted net debt is as follows:

Year ended 31 December	2024 £m	2023 £m
Free cash flow	**227.5**	209.2
Net cash outflow on acquisition and disposal of subsidiaries, joint ventures and associates	**(20.8)**	(7.5)
Dividends paid to non-controlling interests	**–**	(1.7)
Dividends paid to shareholders	**(38.4)**	(33.7)
Purchase of own shares	**(141.3)**	(88.8)
Movements on other investment balances	**–**	(0.7)
Loans repaid from joint venture	**10.0**	–
Capitalisation and amortisation of loan costs	**–**	(0.8)
Exceptional cash items	**–**	9.2
Cash movements on hedging instruments	**(13.1)**	(1.5)
Foreign exchange (loss)/gain on adjusted net debt	**(15.0)**	11.5
Movement in adjusted net debt	**8.9**	95.2
Opening adjusted net debt - 1 January	**(108.7)**	(203.9)
Closing adjusted net debt - 31 December	**(99.8)**	(108.7)

Reported net debt to adjusted net debt

A reconciliation of adjusted net debt to reported net debt is as follows:

	2024 £m	2023 £m
Cash and cash equivalents	**183.0**	94.4
Loans payable	**(276.4)**	(206.2)
Lease liabilities	**(530.0)**	(453.7)
Derivatives relating to net debt	**(6.4)**	3.1
Reported net debt	**(629.8)**	(562.4)
Add back: Lease liabilities	**530.0**	453.7
Adjusted net debt	**(99.8)**	(108.7)

Underlying return on invested capital (ROIC)

Below is the calculation of Underlying ROIC:

Year ended 31 December ROIC excluding right of use assets	2024 £m	2023 £m
Non-current assets		
Goodwill	**826.2**	906.7
Other intangible assets - owned	**101.4**	115.6
Property, plant and equipment - owned	**56.8**	44.3
Interest in joint ventures	**25.1**	32.1
Contract assets, trade and other receivables	**26.3**	14.8
Current assets		
Inventories	**24.1**	24.1
Loans to joint ventures	**–**	10.0
Contract assets, trade and other receivables	**631.5**	625.6
Total invested capital assets	**1,691.4**	1,773.2
Current Liabilities - Contract liabilities, trade and other payables	**(632.5)**	(593.8)
Non-current liabilities - Contract liabilities, trade and other payables	**(82.2)**	(68.5)
Total invested capital liabilities	**(714.7)**	(662.3)
Invested capital	**976.7**	1,110.9
Two point average of opening and closing invested capital	**1,043.8**	1,163.7
Underlying operating profit 12 months	**273.5**	248.7
Underlying ROIC %	**26.2%**	21.4%

Debt Covenants

Debt covenants

The principal financial covenant ratios are consistent across the US private placement loan notes and revolving credit facility, with a maximum Consolidated Total Net Borrowings (CTNB) to covenant EBITDA of 3.5 times and minimum covenant EBITDA to covenant net finance costs of 3.0 times, tested semi-annually. A reconciliation of the basis of calculation is set out in the table below.

The covenants exclude the impact of IFRS 16 Leases on the Group's results.

For the year ended 31 December	2024 £m	2023 £m
Operating Profit	**130.1**	271.6
Remove: Exceptional items	**114.5**	(53.8)
Remove: Amortisation and impairment of intangibles arising on acquisition	**28.9**	30.9
Exclude: Share of joint venture post-tax profits	**(22.8)**	(29.0)
Include: Dividends from joint ventures	**30.8**	21.1
Add back: Net non-exceptional charges/(releases) to OCPs	**5.7**	8.2
Add back: Net covenant OCP utilisation	**(2.7)**	(3.2)
Add back: Depreciation, amortisation and impairment of owned property, plant and equipment and non acquisition intangible assets	**25.1**	25.7
Add back: Depreciation, amortisation and impairment of property, plant and equipment and non acquisition intangible assets held under finance leases - in accordance with IAS17 Leases	**4.4**	4.3
Add back: Foreign exchange on investing and financing arrangements	**(2.1)**	(0.9)
Add back: Share-based payment expense	**15.2**	13.5
Net other covenant adjustments to EBITDA	**(15.0)**	(11.5)
Covenant EBITDA	**312.1**	276.9
Net finance costs	**33.1**	24.6
Exclude: Net interest receivable on retirement benefit obligations	**1.9**	3.1
Exclude: Movement in discount on deferred consideration	**(0.8)**	–
Exclude: Foreign exchange on investing and financing arrangements	**(2.1)**	(0.9)
Other covenant adjustments to net finance costs	**(19.6)**	(12.7)
Covenant net finance costs	**12.5**	14.1
Adjusted net debt	**99.8**	108.7
Obligations under finance leases - in accordance with IAS17 Leases	**13.1**	17.4
Recourse net debt	**112.9**	126.1
Add back: Disposal vendor loan note, encumbered cash and other adjustments	**(3.7)**	5.9
Covenant adjustment for average FX rates	**(5.9)**	5.6
CTNB	**103.3**	137.6
CTNB / Covenant EBITDA (not to exceed 3.5x)	**0.33x**	0.50x
Covenant EBITDA / Covenant net finance costs (at least 3.0x)	**25.0x**	19.6x

Glossary

Adjusted Net Debt
The Adjusted Net Debt measure more closely aligns with the covenant measure for the Group's financing facilities than reported net debt because it excludes all lease liabilities recognised under IFRS 16 Leases. Principally as a result of the Asylum Accommodation and Support Services Contract (AASC), the Group has entered into a significant number of leases which contain a termination option. The use of Adjusted Net Debt removes the volatility that would result from the estimation of lease periods and the recognition of liabilities associated with such leases where the Group has the right to cancel the lease. Though the intention is not to exercise the options to cancel the leases, it is available, unlike other debt obligations.

Colleagues
The number of colleagues is derived from the average number of persons employed and includes all individuals employed under contracts of service by the Group as disclosed in note 10 of the Financial Statements. This comprises permanent, part-time, and casual employees and those with fixed term contracts. In contrast with the number of employees disclosed in note 10 of the Financial Statements, colleagues also includes self-employed contractors, other casual workers and employees of Trusts. This is because such colleagues fall within Serco's duty of care and are within the scope of a number of our KPIs. Employees of Joint Ventures where Serco is not the controlling shareholder and sub-contractors, are excluded.

Constant currency
Constant currency is calculated by translating non-sterling values for the Year ended 31 December into sterling at the average exchange rates for the prior year. Constant currency and reported currency are equal for the prior year numbers.

Employee engagement
We use a specialist third party provider to run Viewpoint, our global employee engagement survey. The survey covers employees, excluding our joint ventures, and measures engagement in two key areas: how happy employees are working at Serco and their intention to recommend Serco to others. Our engagement score incorporates all respondents' perceptions and shows the overall average view of these two areas when we survey.

Exceptional items
IAS 1 Presentation of Financial Statements sets out disclosure requirements regarding fair representation of information and the composition, labelling, prominence and consistency of additional line items and subtotals in financial statements. IAS 1 paragraph 97 requires separate disclosure of the nature and amount of material items of income or expense. The company uses the term 'exceptional items" to categorise those items which require disclosure under IAS 1 paragraph 97, but this is not a term defined by IFRS. A level of judgement is involved in determining what items are classified as exceptional items. Management considers exceptional items to be outside of normal practice of the business (i.e. the financial impact is unusual or rare in occurrence), and are material to the results of the Group by virtue of their size or nature, and are suitable for separate presentation and detailed explanation. There is a level of judgement required in determining which items are exceptional on a consistent basis and require separate disclosure.

Free Cash Flow (FCF)
Free cash flow is the net cash flow from operating activities adjusted to remove the impact of non-underlying cash flows from operating activities, adding dividends we receive from joint ventures and associates and deducting net interest, net capital expenditure on tangible and intangible asset purchases and the purchase of own shares to satisfy share awards.

Invested Capital
Invested Capital represents the assets and liabilities considered to be deployed in delivering the trading performance of the business. Invested Capital assets are: goodwill and other intangible assets; property, plant and equipment; interests in joint ventures and associates; contract assets, trade and other receivables; and inventories. Invested Capital liabilities are contract liabilities, trade and other payables. Invested Capital is calculated as a two-point average of the opening and closing balance sheet positions. The Invested Capital of the Group used in underlying ROIC are for those items for which resources are or have been committed. This excludes right of use assets recognised under IFRS 16 Leases as many have termination options and commitments for expenditure in future years.

Lost Time Incident Frequency Rate (LTIFR)
Lost Time Incidents (LTIs) are incidents when personal injury accidents at work, or when travelling on company business, cause an employee to incur one or more working days (or shifts) absence as a result. LTIs are recorded from the date the incident occurred, not from when time was lost. The LTIFR is calculated using the total number of Lost Time Incidents, normalised using the total number of hours worked in the period. This provides a view on the frequency of lost time incidents, regardless of movements in staff numbers, which is comparable across all areas where LTIs are incurred. Minor revisions can be made to prior reported performance based on data received post publication date.

Major incident frequency rate (MIFR), per 1 million hours worked
Major incidents include but are not limited to; any injury requiring resuscitation or admittance to hospital for more than 24 hours; fracture other than to fingers, thumbs or toes; dislocation of the shoulder, hip, knee or spine; amputation; loss of sight (temporary or permanent); chemical or hot metal burn to the eye or any penetrating injury to the eye. The MIFR is calculated using the total number of major incidents, normalised using the total number of hours worked in the period. This provides a view on the frequency of major incidents, regardless of movements in staff numbers, which is comparable across all areas where major incidents are incurred.

Glossary continued

Order book
The order book reflects the estimated value of future revenue based on all existing signed contracts, excluding Serco's share of joint ventures and associates. It excludes contracts at the preferred bidder stage and excludes the award of new Multiple Award Contracts (MACs), Indefinite Delivery/Indefinite Quantity (IDIQ) contracts or framework vehicles, where Serco cannot estimate with sufficient certainty its expected future value of specific task orders that may be issued under the IDIQ or MAC; in these situations the value of any task order is recognised within the order book when subsequently won. The definition is aligned with IFRS15 disclosures of the future revenue expected to be recognised from the remaining performance obligations on existing contractual arrangements and therefore excludes unsigned extension periods and option periods in our US business. Order intake is the value of business which has been won during the year and typically includes Serco's share of order intake from its joint ventures and option periods in our US business.

Organic
Organic measures exclude the impact of relevant acquisitions or disposals (European Homecare and Climatize). The prior year figures are recalculated on a consistent basis with the relevant acquisitions or disposals removed in the current year and therefore may not agree to the organic revenue previously reported.

Net debt
Net debt is a measure to reflect the net indebtedness of the Group and includes all cash and cash equivalents and any debt or debt-like items, including any derivatives entered into in order to manage risk exposures on these items. Net debt brings together the various funding sources that are included on the Group's Consolidated Balance Sheet and the accompanying notes. Net debt includes all lease liabilities, whilst Adjusted Net Debt is derived from net debt by excluding liabilities associated with leases.

Non-underlying items
Included in non-underlying items are exceptional items as well as amortisation and impairment of intangibles arising on acquisitions, because these charges are based on judgements about the value and economic life of assets that, in the case of items such as customer relationships, would not be capitalised in normal operating practice.

Pipeline of large new bid opportunities
Pipeline of large new bid opportunities reflects the estimated aggregate value at the end of the reporting period of new bid opportunities with Annual Contract Value (ACV) greater than £10m and which we expect to bid and be awarded within a rolling 24-month timeframe. It does not include re-bids or extensions of existing business and the Total Contract Value (TCV) of individual opportunities is capped at £1bn; also excluded is the potential value of framework agreements, prevalent in the US in particular where there are numerous arrangements classed as IDIQ. In this case only the potential value of any individual task order is included.

Revenue plus share of joint ventures and associates
This alternative measure includes the share of revenue from joint ventures and associates for the benefit of reflecting the overall change in scale of the Group's ongoing operations, which is particularly relevant for evaluating Serco's presence in market sectors such as Defence and Transport. The alternative measure allows the performance of the joint venture and associate operations themselves, and their impact on the Group as a whole, to be evaluated on measures other than just the post-tax result.

Trading cash conversion
In order to calculate an appropriate cash conversion metric equivalent to UOP, trading cash flow is derived from FCF by excluding capitalised finance costs, interest, non-cash R&D expenditure and tax items. Trading cash conversion therefore provides a measure of the efficiency of the business in terms of converting profit into cash before taking account of the impact of capitalised finance costs, interest, non-cash R&D expenditure, tax and non-underlying items.

Underlying Earnings Per Share (EPS), diluted
Underlying EPS reflects the Underlying Operating Profit measure after deducting underlying net finance costs and tax. It takes into account any non-controlling interests share of the result for the period, and divides the remaining result that is attributable to the equity owners of the Company by the weighted average number of ordinary shares outstanding, including the potential dilutive effect of share options, in accordance with IFRS. Underlying net finance costs and tax are used to calculate Underlying EPS to remove the impact of typical non-recurring or out of period items.

Underlying Operating Profit (UOP)
Underlying Operating Profit is defined as IFRS Operating Profit excluding non-underlying items (as described above). Consistent with IFRS, it includes Serco's share of profit after interest and tax of its joint ventures and associates.

Underlying Return on Invested Capital (ROIC)
ROIC is calculated as UOP for the period divided by the Invested Capital balance (as described above).

Our Impact

2024 Impact performance and data disclosure

Here we share select ESG data points relevant to our ESG framework. A larger suite of ESG data is available in our 2024 ESG Data Book, which is available on the Impact hub on our website. The ESG Data Book is supported by two basis of reporting documents, which set out our reporting approach including the criteria we apply to our non-financial reporting. One covers the scope of our Environment (Planet) indicators, and the the second our Social and Governance (People, Place and Governance) indicators.

We have engaged Grant Thornton UK LLP to provide independent, limited assurance over selected Social and Governance KPIs, shown below, in accordance with ISAE 3000 (revised) for the year ended 31 December 2024. Grant Thornton has issued an unqualified opinion over the data and the full assurance report is available on our website. Accenture provide independent, reasonable assurance over our Environmental KPIs in accordance with ISO 14064-3:2019 for the period 1 October 2023 to 30 September 2024, and their assurance statement is also available on our website.

We also publish GRI and SFDR Content Indexes on our website to support stakeholders to navigate our disclosures.

Trend key: ● Positive ● Steady ● Negative ○ New (no comparison)/non-indicator (statement)

Externally assured: **GT** = Grant Thornton UK LLP **Acc** = Accenture

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
People								
Safe operations: Health and safety is a core business priority for Serco. Our people serve society in some of the most physically and psychologically demanding situations and environments on the planet. The following KPIs enable us to monitor safety consistently across the business whilst maintaining sharp focus on key areas of risk.								
Colleague engagement: Safety	Avg. score	77	77	0	0	Steady	GT	
Lost Time Incident Frequency Rate (LTIFR)	Per 1m hours worked	6.36	4.86	-1.50	-23.6	Positive	GT	3
Lost Time Incident Severity Rate (LTISR)	Avg. days	23.55	20.94	-2.61	-11.1	Positive	GT	3
Major Incident Frequency Rate (MIFR)	Per 1m hours worked	0.37	0.37	0.00	1.4	Steady	GT	3
Fatalities (work related)	Number	1	1	0	0	Steady	GT	1, 2
Fatal Incident Frequency Rate (FIFR)	Per 1m hours worked	0.01	0.01	-0.00	-1.5	Positive	GT	
Physical Assault Frequency Rate (PAFR)	Per 1m hours worked	6.49	8.39	1.90	29.3	Negative	GT	3
Serious Physical Assault Frequency Rate (SPAFR)	Per 1m hours worked	0.81	1.04	0.23	28.4	Negative	GT	3
Health and Safety prosecutions	Number	0	0	0	0.0	Steady	GT	
Health and Safety fines paid	£'000	2,490	0	-2,490	-100	Positive	GT	
Improvement/Enforcement notices	Number	5	8	3	60	Negative	GT	
Colleague wellbeing: We understand that a healthy workforce is a more engaged and productive one; and we are committed to supporting the wellbeing of our people. In 2025, we will be augmenting our existing set of wellbeing and sickness absence KPIs with a new metric: Psychological Consequence Lost Time Incidents.								
Colleague engagement: Wellbeing	Avg. score	77	78	1	1.3	Positive	GT	
Absence due to sickness	Avg. days per emp.	6.9	8.2	1.2	17.5	Negative	GT	4

Safety and wellbeing - notes and commentary

1. We have adjusted our Fatalities KPI so that it is specific to work related safety incidents where previously illness-related fatalities at work were included.
2. During 2024, we sadly saw one work-related fatality (a fatal road traffic accident) and whilst not a result of workplace safety failings, the incident had a significant impact on colleagues.
3. 2023 values updated to reflect required adjustments to 2023 data identified in 2024
4. Adjustment made to Absence due to sickness to include Covid related sickness, this was omitted in 2023 and will not be restated.

At the beginning of 2024, and baselining against 2023 performance, we set ourselves an ambition to reduce our lost time incidents (LTIs) and associated lost days by 50%, by the end of 2026. Focusing on reduction activities in key areas and continuing our Situational Awareness theme, we saw positive progress against these metrics, with a 22% and 31% improvement respectively, against our LTI and lost days vision. Our lost time frequency rates and severity rates also saw significant improvements, reducing by 24% from 6.36 to 4.86 and 11.1%, from 23.55 to 20.94 respectively. We maintained our major injury frequency rate at 0.37 against a threshold of 0.32. Despite a strong and continued focus striving to reduce levels of incidents resulting from violence and aggression across the business, the physical assault frequency rate increased from 6.49 to 8.39 (threshold 5.63). Serious assaults also became more prevalent in 2024, with our serious physical assault rate rising from 0.81 to 1.04 (threshold 0.66). 2024 performance has been impacted by a rise in violence and aggression across the Justice sector and in the UK estate in particular – see page 37.

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
People continued								
Diversity, equity and inclusion: At Serco, we are working to create fairer and more inclusive environments for all colleagues, and the communities that we serve. The following KPIs demonstrate progress against our DEI commitments, aligned to reporting requirements.								
Colleague engagement: Diversity & Inclusion	Avg. score	74	75	1	1.4	●	GT	
Age profile – Serco Group plc Board								
16-24	%	0.0	0.0	–	–	○	GT	
25-40	%	0.0	0.0	–	–	○	GT	
41-54	%	11.1	10.0	-1.1	-9.9	○	GT	
55-64	%	55.6	60.0	4.4	7.9	○	GT	
65+	%	33.3	30.0	-3.3	-9.9	○	GT	
Undisclosed	%	0.0	0.0	–	–	○	GT	

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Gender diversity - Serco Group all employee levels - women	%	42.3	43.8	1.5	3.5	○	GT	
Gender diversity - Global Leadership Team - women	%	33.8	34.6	0.8	2.4	●	GT	2
Gender diversity - Global Executive Committee and direct reports - women	%	30.0	42.2	12.2	40.5	●	GT	
Gender diversity - All other employee levels - women	%	42.9	43.8	0.9	2.0	●	GT	
Gender diversity - All other employee levels - women	Number	18,958	20,711	1,753	9.2	○	GT	
Gender diversity - All other employee levels - men	Number	25,153	26,532	1,379	5.5	○	GT	
Gender diversity - All other employee levels - Not disclosed	Number	37	94	57	154.1	○	GT	
Gender Pay Gap (Median)	%	8.54	5.16	-3	-39.6	○	GT	

Our Impact continued

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Colleague engagement: We are committed to supportively maintaining a resilient and motivated workforce in a challenging world. We monitor colleague engagement through metrics aligned to our annual colleague engagement survey, as well as through broader measures aligned to colleague experience, including attraction and retention.								
Colleague engagement: All areas	Avg. score	71	72	1	1.4	●	GT	
Colleague engagement: Learning and Development	Avg. score	66	67	1	1.5	●	GT	
New hires	Number	16,294	16,670	376	2.3	○	GT	
Staff turnover	%	32.8	30.8	-2.0	-6.0	●	GT	
Staff turnover - voluntary	%	23.5	21.1	-2.4	-10.4	●	GT	
Redundancies	Number	733	406	-327	-44.6	○	GT	

People - notes and commentary

1. Gender diversity across Serco at all employee levels is influenced by contract wins and losses.
2. Serco's representation of women in senior global leadership roles was 34.6%. This excludes Boards and the Group Executive Committee, which, if included would increase representation to 36.7%.

Our Impact continued

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Place								
Community impact: Serco and our people are committed to supporting local communities not just through the services we deliver but through volunteering, corporate donations and sponsorship, The Serco Foundation and The Serco People fund.								
Community Investment	£ Number	213,075	359,040	145,965	68.5			
Serco Foundation - grants made	£ Number	184,569	56,476	-128,093	-69.4		GT	1
Serco Foundation - charities supported	Number	35	6	-29	-82.9		GT	1
Serco People Fund - grants made	£ Number	406,117	568,108	161,991	39.9		GT	2
Serco People Fund - colleagues supported	Number	270	359	89	33.0		GT	2

Place - notes and commentary

1. For more information on the Serco Foundation, go to www.sercofoundation.org
2. For more information on the Serco People Fund, go to www.sercopeoplefund.org

Our Impact continued

Indicator/Disclosure	Units	2022 Restated	2023 Restated	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Planet									
Carbon dioxide equivalent (Scope 1 and 2) market-based Scope 2 - Total Group	tCO_2e	37,248	30,702	24,731	-5,971	-19.4	●	Acc	1, 2
Total UK	tCO_2e	21,176	18,485	16,648	-1,837	-9.9	●	Acc	1
Total Rest of World	tCO_2e	16,072	12,217	8,083	-4,134	-33.8	●	Acc	1
Carbon dioxide equivalent (Scope 1 and 2) location-based Scope 2 - Total Group	tCO_2e	44,891	39,349	36,795	-2,554	-6.5	●	Acc	1
Total UK	tCO_2e	28,353	25,639	24,442	-1,197	-4.7	●	Acc	1
Total Rest of World	tCO_2e	16,539	13,709	12,353	-1,356	-9.9	●	Acc	1
Combustion of fuels and operation of facilities (Scope 1) - Total Group (all fuel types)	tCO_2e	29,381	26,636	24,731	-1,905	-7.2	●	Acc	1
Total UK (all fuel types)	tCO_2e	20,963	18,243	16,648	-1,595	-8.7	●	Acc	1
Total Rest of World (all fuel types)	tCO_2e	8,418	8,393	8,083	-310	-3.7	●	Acc	1
Combustion of fuels and operation of facilities (Scope 1) - Total Group (all fuel types)	MWH	139,121	129,627	106,250	-23,377	-18.0	●	Acc	1
Total UK (all fuel types)	MWH	86,720	77,418	73,338	-4,080	-5.3	●	Acc	1
Total Rest of World (all fuel types)	MWH	52,401	52,209	32,912	-19,297	-37.0	●	Acc	1
Scope 2 – Grid electricity purchased/ acquired for own use (market-based) - Total Group	tCO_2e	7,866	4,066	0	-4,066	-100.0	●	Acc	1
Total UK	tCO_2e	213	242	0	-242	-100.0	●	Acc	1
Total Rest of World	tCO_2e	7,653	3,824	0	-3,824	-100.0	●	Acc	1
Scope 2 – Grid electricity purchased/ acquired for own use (location-based) - Total Group	tCO_2e	15,704	12,713	12,064	-649	-5.1	●	Acc	1
Total UK	tCO_2e	7,390	7,396	7,794	398	5.4	●	Acc	1
Total Rest of World	tCO_2e	8,313	5,317	4,270	-1,047	-19.7	●	Acc	1
Scope 2 – Grid electricity purchased / acquired for own use - Total Group	MWH	56,275	50,425	48,271	-2,154	-4.3	●	Acc	1
Total UK	MWH	38,071	37,565	37,645	80	0.2	●	Acc	1
Total Rest of World	MWH	18,203	12,860	10,626	-2,234	-17.4	●	Acc	1
Headcount intensity (Scope 1 and 2) market-based Scope 2	tCO_2e /FTE	0.64	0.57	0.47	-0.10	-17.2	●	Acc	1, 3
Headcount intensity (Scope 1 and 2) location-based Scope 2	tCO_2e /FTE	0.77	0.73	0.70	-0.03	-3.9	●	Acc	1, 3
Financial intensity (Scope 1 and 2) market-based Scope 2	tCO_2e/ per £m revenue	8.19	6.26	5.14	-1.12	-17.9	●		1, 3
Financial intensity (Scope 1 and 2) location-based Scope 2	tCO_2e/ per £m revenue	9.87	8.03	7.65	-0.38	-4.7	●		1, 3
Total energy consumption Scope 1 and 2 - Total Group	MWH	195,396	180,052	154,521	-25,531	-14.2	●	Acc	1

Indicator/Disclosure	Units	2022 Restated	2023 Restated	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Total UK	MWH	124,791	114,983	110,982	-4,001	-3.5	●	Acc	1
Total Rest of World	MWH	70,605	65,069	43,538	-21,531	-33.1	●	Acc	1
Electricity consumption, renewable sources	%	66.9	79.1	100.0	21	26.4	●	Acc	1, 4
Electricity consumption, renewable sources	MWH	37,638	39,884	48,271	8,387	21.0	●	Acc	1, 4
Electricity consumption, non-renewable sources	MWH	18,637	10,541	0	-10,541	-100.0	●	Acc	1, 4
Fuel consumption, renewable sources	%	2.45	1.51	5.18	4	243.0	●	Acc	1, 4
Fuel consumption, renewable sources	MWH	3,412	1,955	5,501	3,546	181.4	●	Acc	1, 4
Fuel consumption, non-renewable sources	MWH	135,709	127,672	100,749	-26,923	-21.1	●	Acc	1, 4
Scope 3 supply chain	tCO_2e	447,722	452,516	428,508	-24,008	-5.3	●	Acc	2, 8
Suppliers with science based targets	%	NA	NA	15	NA	NA	○		6
Scope 3 business travel and fuel-and energy-related	tCO_2e	60,351	61,647	61,287	-360	-0.6	●	Acc	1, 7
Transition to greener fleet - proportion of hybrid and electric vehicles	%	25	30	35	5	16.7	●		4
Proportion of operating locations exposed to 1:100 year climate-related hazard - flooding	%	12	12	12	0	0	●		5
Impact of carbon taxes and levies - electricity and gas	£'000	781	818	988	170	20.8	●		4
Operations covered by certified ISO 14001 EMS - by revenue	%	28	28	28	0	0	●		9
Operations covered by certified ISO 50001 EMS - by revenue	%	0.5	0.5	0.9	0.4	80	●		9

Planet - notes and commentary

Our reporting year for greenhouse gas (GHG) emissions is one quarter behind our financial year, namely 1 Oct 2023 to 30 Sept 2024. See our Planet Basis of Reporting Supplement for information on our reporting boundary and methodologies, available on Our Impact hub on our website. We quantify and report GHG emissions using the financial control approach in line with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. We report all material emission sources for which we consider ourselves responsible and have set our materiality threshold at 5%. We have recalculated and restated emissions and associated energy data for 2022 and 2023 to account for structural changes and changes to GHG calculation methodologies, in line with our base year emissions recalculation policy and best practice to ensure a meaningful and accurate comparison of emissions data over time. 2022 is the base year for our Net Zero targets which were validated by the Science Based Targets initiative in 2024.

1. 2022 and 2023 data recalculated and restated in line with our base year emissions recalculation policy and best practice. Significant changes included inclusion of joint venture emissions, carbon intensive contract wins, asset ownership updates, as well as smaller data, methodology and emission factor updates and errors.
2. SBTi target: We have reduced scope 1 & 2 emissions by 34% in 2024 versus 2022, with reductions resulting from a focus on operational and energy efficiency, increased proportion of renewable sourced electricity, 79% to 100%, switching to greener fleet and fuels, and improvement in data quality. TCFD: Linked to disclosed risks on carbon pricing and reputation.
3. TCFD: Linked to disclosed risks on carbon pricing and reputation.
4. TCFD: Linked to disclosed risks on carbon pricing and reputation. Internal target to retain 100% renewable sourced electricity.
5. TCFD: Linked to disclosed risk from extreme weather.
6. SBTi target: 95% of suppliers by emissions to have science-based targets by 2028. 13.5% have targets validated on SBTi, 1.5% are committed/awaiting validation. TCFD: Linked to disclosed opportunity on net zero enabling services and carbon pricing.
7. SBTi target: 25% reduction in business travel and fuel-and energy-related scope 3 emissions by 2030. In 2024, our emissions increased by 2% versus 2022, in part due to the SBTi target setting methodology which required our base year to be 2022 despite our business travel being lower due to covid impacts.
8. For many companies Scope 3 emissions form the majority of emissions with supply chain categories being the most significant. In 2024, we introduced Emitwise, a carbon accounting technology partner, and have re-calculated and restated our 2022 and 2023 supply chain emissions.
9. All contracts are required to comply with our Serco Management System and environmental requirements, which align with ISO 14001. At many of our contracts we also operate within customer ISO 14001 certified management systems. A smaller proportion of our contracts have certified ISO 50001 management systems, as only our more energy-intensive operations benefit from this standard. TCFD: Linked to disclosed risk on reputation.

Streamlined energy and carbon reporting commentary

We continue to support energy-saving activity across our customers and our own assets. For example, where we deliver facilities management services; we continue to seek to embed energy efficiency measures such as in our Leisure contracts where we have reduced gas consumption through solar PV installations. At our NorthLink Ferries contract, best practice enhancements and initiatives are regularly implemented and our bespoke monitoring systems continue to drive energy and emission reduction activity whilst also assisting current and future reporting requirements. In 2024, energy efficiency initiatives included operational changes following monitoring system analysis as well as upgrades such as engine management systems, boiler burner units, fuel pumps and hull cleaning/coatings. We have prepared the Aberdeen vessels to accept shore power from a renewable energy tariff following the commitment of funding from Caledonian Maritime Assets Limited (CMAL) and the Port of Aberdeen to install shore power facilities for Serco's two passenger ferries. This initiative is expected to be operational in Q2 2025 and removes the need to run oil-fired generators to power the vessels when docked, mitigating around 1,300 tonnes of CO2 equivalent per year, improving air quality, and reducing noise. Preliminary discussions have also been held with relevant stakeholders on alternative low carbon fuels for use later in the life of the vessels, we will continue to review these options in future.

Our Impact continued

Indicator/Disclosure	Units	2023	2024	2024 versus 2023	Var %	Trend	Externally Assured	Notes
Governance								
Ethics and compliance: A better future can only be achieved on a firm foundation of integrity and fair, ethical behaviour. We strive to hold firm to our values and act with integrity in all that we do. We monitor a broad range of KPIs to demonstrate our positive reporting culture and our commitment to investigate each Speak Up allegation thoroughly, confidentially and in a manner to prevent retaliation.								
Colleague engagement: Ethical Standards	Avg. score	76	76	0	0		GT	
Colleague engagement: Reporting Unethical Conduct	Avg. score	74	74	0	0		GT	
Speak Up Case rate	Per 100 employees	1.03	1.30	0.27	26.2		GT	2
Speak Up cases reported anonymously	%	60.6	60.5	-0.1	-0.2		GT	
Speak Up cases investigated	%	95.3	98.1	2.8	3.0		GT	
Speak Up cases average days to close	Number	52.7	37.0	-15.7	-29.8		GT	
Speak Up cases closed within three months of case being raised	%	82	88	6	7.3		GT	
Speak Up closed case substantiation rate	%	23	20	-3	-13.0		GT	3
Substantiated Speak Up cases with corrective action taken	%	99	93	-6	-6.1		GT	
Substantiated Speak Up cases with disciplinary action taken	%	45	46	1	2.2		GT	3
Substantiated Speak Up cases where one or more individual(s) were dismissed	%	21	19	-2	-9.5		GT	3
Prosecutions for corrupt behaviour	Number	0	0	0	0		GT	
Prosecutions for anti-competitive behaviour	Number	0	0	0	0		GT	
On time payment	%	83.6	84.8	1.3	1.5		GT	
Agent payments	£'000	2,342	1,598	-744	-32		GT	1
Lobbying payments	£'000	267	392	125	47		GT	
Annual SMS self-assessments completed	%	99.7	93.0	-6.7	-6.7		GT	
Annual Compliance Assurance plan delivered	%	98.1	98.8	0.7	0.8		GT	
Annual Audit plan delivered	%	100.0	100.0	0.0	0.0		GT	
Human rights and modern slavery: We have zero tolerance to pursue activity that breaks any law relating to human rights; and we believe that we can contribute positively to upholding human rights through the services we deliver. We closely monitor cases reported through Speak Up and ensure effective screening of modern slavery within our supply chain.								
Prosecutions for human rights violations (including indigenous, modern slavery, etc.)	Number	0	0	0	0.0		GT	
Case rate substantiated human rights and modern slavery Speak Up cases	Per 100 employees	0	0	0	0.0		GT	
Data protection and information security: We are committed to delivering secure services and protecting the data we collect, store and process. Our core KPIs focus not only on significant data breaches but also complaints we receive, in line with the GRI framework.								
Substantiated complaints received from data protection regulators	Number	4	2	-2	-50.0		GT	3
Significant data breaches	Number	1	0	-1	-100		GT	

Governance – notes and commentary

1. We use agents across the Group to provide strategic advice, connect us with other parties and obtain or promote business for Serco. We pay agents either fixed fees for their time or success fees. We use lobbyists to perform advocacy or interact with Public Officials on behalf of Serco. All agents and lobbyists are subject to due diligence prior to being engaged. They operate to an agreed contract in line with local laws, including standard clauses covering a range of compliance matters, and stating services and fees. Payments are reviewed to ensure compliance with contracts.
2. 2023 Speak Up case rate updated to reflect required adjustments identified in 2024.
3. Adjustment to 2023 baseline to reflect change in calculation of substantiation rates, this is to align with industry standard method of calculation.
4. Globally, in 2024, we have had two substantiated complaints from data protection regulators; two in the UK relating to minor data breaches.

Shareholder Information

Our website
The Company's website, www.serco.com, provides access to share price information as well as sections on managing your shareholding online, corporate governance and other investor relations information.

Shareholder queries
Our share register is maintained by our Registrar, Equiniti. Shareholders with queries relating to their shareholding should contact Equiniti directly using one of the methods listed opposite.

American Depositary Receipts (ADRs)
Serco has established a sponsored Level I ADR programme. Serco ADRs are traded on the US over-the-counter market (SCGPY).

For queries relating to your ADR holding, please contact our ADR depositary bank, Deutsche Bank Trust Company Americas.

Managing your shares online
Shareholders can manage their holding online by registering to use our shareholder portal at www.shareview.co.uk. This free service is provided by our Registrar, giving quick and easy access to your shareholding.

Electronic communications
We encourage shareholders to consider receiving their communications electronically which means you receive information quickly and securely and allows us to communicate in a more environmentally friendly and cost-effective way. You can register for this service online using our share portal at www.shareview.co.uk

Duplicate documents
Some shareholders find that they receive duplicate documentation due to having more than one account on the share register. If you think you fall into this group and would like to combine your accounts, please contact our Registrar, Equiniti.

Changes of address
To avoid missing important correspondence relating to your shareholding, it is important that you inform our Registrar of your new address as soon as possible.

Sharegift
If you have a very small shareholding that is uneconomical to sell, you may want to consider donating it to Sharegift (Registered Charity no.1052686), a charity that specialises in the donation of small, unwanted shareholdings to good causes. You can find out more by visiting www.sharegift.org or by calling +44 (0) 207 930 3737.

Dividend
Proposed final dividend
The Directors have recommended payment of a final dividend of 2.82 pence per share in respect of the year ended 31 December 2024, subject to approval by shareholders at the Annual General Meeting.

Key dates
Annual General Meeting 24 April 2025

Ex-dividend date 10 April 2025

Record date 11 April 2025

Payment date 9 May 2025

Dividend payment to your bank account
Shareholders are encouraged to receive dividends directly to their bank or building society which saves paper, helping to minimise our environmental impact and reducing the cost of printing and delivery. Mandate forms are available at www.shareview.co.uk

Useful Contacts

Serco's registered office
Serco House
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